Market for Corporate Control in China: Engine for Growth or Value Destruction?*

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Abstract

We study mergers and acquisitions (M&As) involving listed firms in China over the period 2000-2022. Firms in the domestic (A-share) market have higher stock returns and better operating performance after they acquire a target, usually an *unlisted* firm, than Hong Kong listed Chinese acquirers. Since stock issuance must be approved by the regulators and participating investors have a longer lockup period than those in developed markets, we hypothesize that M&A deals financed by the acquirer's stock have better prospects than non-stock deals. Accordingly, stock-financed acquisitions via *private* placements are associated with better stock and accounting performance than non-stock acquisitions. When a listed firm becomes the target of *partial* acquisition by outside institutional investors, its stock and accounting performance improves following the acquisition, and the performance improvement is greater if a larger block is acquired.

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Keywords: mergers and acquisitions, private placement of stock, partial acquisition, stock returns, operating performance.

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1. Introduction

Since its establishment in 1990, the Chinese stock market has been growing rapidly. At the end of 2023, more than 5,000 firms are listed in the domestic ("A-share") market, and it is the second-largest stock market in the world by total market capitalization, trailing only the U.S. Mergers and Acquisitions (M&As) involving listed firms began to accelerate in 2001, following China's entrance into the World Trade Organization (WTO). Over the next two decades M&A activities witnessed rapid growth with its peak reaching in 2016, when more than 7,860 deals with a total value over $740 billion were announced in the A share market and the Hong Kong Exchange (HKEX), where many Chinese firms are listed.[1] The tightening of M&A regulations in 2017 led to a decline in deal-making activities, with an increasing proportion of deals occurring in sectors such as technology, healthcare, and renewable energy (Figure 1).

Prior research (e.g., Allen, Qian, Shan, and Zhu, 2024) shows that strong *internal* governance improves firms' investment efficiency, reduces tunneling by controlling shareholders, all of which contribute to greater value creation for all the shareholders. As an external governance mechanism, M&As can serve to optimize the governance structure of the target firm through the transfer of control. The acquirer, by gaining control, can initiate strategic adjustments, management changes, or resource reallocation, thereby enhancing operational efficiency and governance quality. However, M&As can also destroy firm value if integration fails, agency conflicts arise, or the acquisition overextends the firm's resources (e.g., Moeller, Schlingemann, and Stulz, 2005). Poorly executed M&As may lead to inefficiencies, culture clashes, and misaligned incentives, ultimately eroding shareholder value and undermining long-term growth prospects. China holds a significant share in the global M&A market, with the total transaction value of global M&A deals reaching approximately $3.2 trillion in 2023, of which China accounted for around $268 billion. However, comprehensive studies of the effect of M&As on the value of Chinese firms are lacking.

In this paper, we examine whether M&A activities in the Chinese market create or destroy value for firms. We start from examining the market's reaction to these acquisitions. Then we study the impact of acquisitions on firm value in the long term, as measured by both market and operational performance. Specifically, we explore the effect of stock acquisitions via private placements, characterized by mandatory regulatory approval and extended lockup

[1] For more information, see https://imaa-institute.org/mergers-and-acquisitions-statistics/china-ma-statistics/

periods, which face stricter oversight compared to alternative acquisition methods such as cash transactions. While the cases where a listed firm is entirely acquired by another listed firm is rare in the A share market, listed firms are often partially acquired by institutional investors. Therefore, we also investigate the effect of partial acquisitions—specifically, cases where institutional investors launch tender offers for stakes of 5% or more in listed target firms—on the value of the target firms. While partial acquisitions do not necessarily result in a transfer of control, they often lead to changes in the target firm's governance structure. Understanding the impact of partial acquisitions on firm value is crucial for comprehensive evaluating the role of M&As as an external governance mechanism.

We start by comparing the post-acquisition performance between A share listed firms and their Hong Kong listed counterparts. Given that both A-share listed firms and Hong Kong-listed Chinese firms primarily operate in mainland China and face similar macroeconomic conditions, this controlled comparison allows us to isolate other factors that may affect the performance of M&As. We find that the A-share market exhibits more positive reaction to corporate acquisition transactions. A-share listed acquirers demonstrate superior long-term operating performance and market returns than both Hong Kong-listed Chinese firms and foreign companies listed in Hong Kong. We further examine the heterogeneity in post-acquisition performance among A-share acquirers by considering ownership structure and transaction type. We find that non-SOE acquirers and non-related-party transactions achieve significantly better long-term performance than SOE acquirers and related-party transactions.

We further investigate what drives the post-acquisition value creation in the A-share market. Like in the U.S., acquisitions in the A share are financed by stocks, cash, or mixed. We compare the post-acquisition performance by different financing method. We find that the A share market reacts more positively to stock-financed deals, and in most cases, stocks are issued via private placement-funded acquisitions. These acquirers achieving 3.4% higher cumulative abnormal returns (CARs) during the [-3, +3] trading window relative to non-private placement deals (cash or asset-based deals). These acquirers continue to outperform in terms of stock return performance and operating performance in the years following acquisition announcement. This finding suggests that investors in A share market perceive the announcement of private placement acquisition as a signal of long-term growth for acquiring firms.

Our findings from the A-share market stands in sharp contrast with the evidence documented in the U.S. market. Existing studies attribute stock-financed acquisitions primarily

to equity overvaluation incentives and bidder-target information asymmetry (Shleifer and Vishny, 2003; Rhodes-Kropf and Viswanathan, 2004; Eckbo et al., 2018). In China, however, stock-payment acquisitions through private placements constitute material asset restructuring events under CSRC supervision. Unlike U.S. acquirers who can opportunistically time equity offerings during market peaks, A-share firms face regulatory constraints that prohibit arbitrary issuances. Stock-financed acquisition deals, in which stocks are issued via private placements, are reviewed multiple times by the regulator. The 12-36 month lock-up periods can help align incentives of investors and the management team, leading to superior post-deal performance. As a result, the value created from effective screening and better aligned incentives outweight the cost from possible equity dilution and tunneling, which are well-documented expropriation by controlling shareholders for emerging markets, leading to superior post-acquisition performance for stock-financed deals in China.

We proceed to investigate sources for value creation in private placement acquisitions. We find the pricing mechanism, lock-up period and acquirer's corporate governance are key determinants. We observe widespread discounted private placement in China, similar to the U.S.. However, the price discount could be explained by prevalence of negotiated pricing in China, rather than compensation for investors' information-searching costs argued by the previous literature which focuses on the U.S. market (Hertzel and Smith, 1993). In the A-share market, where market-based competition is lacking, pricing of deals is often determined by private agreements between controlling shareholders and investors, leading to a deep discount. Our findings show that negotiated pricing (compared to auction-based pricing), as expected, exacerbates agency conflicts and worsens post-acquisition operating performance. Exploiting the 2020 regulatory reform that shortened the lock-up period for private placements, we provide evidence that the removal of long-term incentive alignment weakens post-acquisition market and operating performance.

Corporate governance plays a critical role in determining the efficiency and long-term outcomes of mergers and acquisitions. Higher ownership concentration is significantly associated with better long-term operating performance, suggesting that concentrated ownership enhances monitoring and reduces managerial opportunism, thereby improving deal integration and synergy realization. However, managerial shareholding does not exhibit a significant relationship with post-acquisition outcomes, implying that potential benefits from interest alignment might be offset by managerial entrenchment effects, such as managers selecting lower-synergy targets to avoid external oversight (Masulis et al., 2007; Harford et al., 2012). Overall, these findings underscore that well-structured governance, especially in the

form of concentrated ownership, can help mitigate agency problems and enhance long-term acquisition performance. Additionally, we show that while ownership concentration generally enhances post-acquisition performance, its positive effect diminishes in related-party deals where tunneling risks are more prominent.

Thus far, we have examined how M&As reshape the value of A-share listed acquirers through governance restructuring. To provide a more comprehensive understanding of how M&As affect firm value in the A-share market, we turn to partial block acquisitions[2]—a distinct M&A mechanism in China A-share market where acquirers purchase minority stakes directly from target shareholders without management negotiation. Unlike traditional acquisitions, this types of acquisitions allow external investors to alter target firms' ownership structure while avoiding complexities of taking full control. By analyzing how these partial acquisitions affect target firm performance, we uncover the double-edged role of ownership realignments: they can both discipline underperforming management through heightened shareholder oversight and exacerbate value destruction by introducing fragmented decision-making. This investigation bridges a critical gap in understanding how external governance via minority stakes operates in emerging markets.

We compare the post-acquisition performance of A-share listed and Hong Kong-listed firms following partial acquisitions, revealing that A-share targets achieve significantly higher buy-and-hold abnormal returns and returns on assets (ROA) over 1-3 years compared to their Hong Kong counterparts. A linear positive relationship exists between the annual percentage of shares acquired and long-term post-acquisition performance improvement in A-share firms. Additionally, A-share targets with increased ownership concentration among the top five shareholders exhibit stronger synergies. The findings demonstrate that partial acquisitions can enhance the target's long-term value by improving its governance structure and reducing agency problems.

This paper contributes to the literature on the effect of stock acquisitions on the value of acquirers. The market overvaluation theory suggests that overvalued acquirers are more likely to engage in stock-financed acquisitions, aiming to timing the high market valuations to acquire undervalued targets (Shleifer & Vishny, 2003; Rhodes-Kropf & Viswanathan, 2004). This strategy can create value by allowing acquirers to use overvalued stock as currency to acquire valuable assets at a lower cost (Savor et al., 2009). Most empirical evidence is from deals in

[2] In China, when an investor acquires 5% or more of a firm's shares, they are required to publicly disclose the acquisition, a process known as "Jupai".

the U.S. market. Our results show that the performance of stock acquisitions can be very different in China, due to unique characteristics of private placements within the context of the A-share market's institutional environment and regulatory policies. We posit that the long approval process, high costs and required lock-up period associated with private placements lead to the outperformance of A-share acquirers. Nevertheless, both Chinese and U.S. evidence reveal that acquiring firms demonstrate superior post-acquisition performance when targets are private firms, potentially due to the use of stock as a method of payment mitigating information asymmetry (Hansen, 1987) and allowing risk-sharing of overvaluation with private targets' owners (Officer et al., 2009).

We provide a comprehensive study of Chinese market for corporate control. Existing studies have examined the motivations and consequences of stock acquisitions in the U.S. merger and acquisition market. Given the significant differences in macroeconomic and institutional environment between China and U.S., instead of comparing Chinese and U.S. deals, we take a different approach of comparing A-share and HK deals. In contrast to HK deals in which the target is usually listed firms, A-share deals usually involve an unlisted firm as the target, providing growth engine to A-share acquirers. Our results that A-share acquirers experience better stock market reaction and operating performance following the acquisition highlights the feature of A-share M&A deals.

Our study also contributes to the block acquisition literature. As it is hard to entirely acquire a listed firm in the A-share market, transfer of ownership of listed firms is often realized by partial acquisition initiated by external institutional investors. Extant literature suggests that blockholders may worsen governance by extracting private benefits of control or pursuing objectives other than firm value maximization. However, the extent of such expropriation depends on institutional details (Edmans, 2014; Edmans and Holderness, 2017). We find that it is indeed the case. Blockholders may influence corporate performance in a positive way in China. The more shares acquired by the external investors, the better is the performance of target listed firm. The finding suggests that the market for corporate control transfer can create value for A-share firms.

The remainder of the paper is structured as follows. Section 2 reviews the institutional background and describes our hypotheses. Section 3 discusses the data sources and provides summary statistics. Section 4 presents the post-acquisition performance of acquiring firms in A share and HKSE. Section 5 presents the performance of target firms after the partial acquisition. Section 6 concludes.

2. Institutional Background and Hypothesis Development

2.1. Institutional Background

Mergers and acquisitions (M&A) are pivotal strategies for corporate growth and restructuring, with cash and stock serving as the two primary methods of payment. In stock-based acquisitions, the majority Chinese listed acquirers opt for private placements of stocks to raise fund or to issue new shares as consideration for target firms. However, due to complex approval processes and stringent regulations, private placements in China are time-consuming and costly methods of refinancing, limiting the number of merger and acquisition transactions conducted through this avenue. Figure 2 shows the number and value of M&A deals via private placement from 2002 to 2022. We define a deal as a private placement acquisition if it includes private placement as a payment. While fewer in number, private placement acquisitions involve significantly larger values.

Private placements involve several stages: preparation, review, and issuance. Specifically, companies planning a private placement must first convene a board meeting, followed by a shareholder meeting for approval. At each stage, the company is required to publicly disclose the private placement plan, including the purpose of the new share issuance, pricing, and investor qualification. Only after obtaining approval from both the board and the shareholders can the relevant documents be submitted to the China Securities Regulatory Commission (CSRC) for approval. The CSRC reviews the legality, compliance, and adequacy of information disclosure in the proposal. Additionally, issuing shares to purchase assets constitutes a significant asset restructuring, which must be conducted separately from issuing new shares to raise funds for mergers and acquisitions. According to the 2020 refinancing regulations, listed companies applying for non-public share issuance should not exceed 30% of their total share capital prior to the issuance. The issuance price must not be lower than 80% of the company's average stock price over the 20 trading days preceding the pricing reference date.

Moreover, securities acquired in private placements are subject to lock-up periods: ordinary investors cannot transfer these shares within six months from the end of the issuance, while related party shareholders are prohibited from transferring for 18 months. Before 2020, lock-up periods were longer, with ordinary investors restricted for 12 months and related party shareholders for 36 months. The selling restrictions ensure the alignment of interests between new and existing shareholders post-acquisition, which facilitate synergistic effects and protect

investors' interests.

Unlike China, where stock-financed M&As are strictly regulated, the U.S. exhibits a more market-driven evolution in the payment of acquisitions. Existing research identifies stock overvaluation (Shleifer and Vishny, 2003; Rhodes-Kropf and Viswanathan, 2004) and information asymmetry (Eckbo et al., 2018) as key factors affect these transactions. Additionally, private placements in the U.S. are governed by a flexible regulatory framework under the oversight of the Securities and Exchange Commission (SEC). The Securities Act of 1933 and Regulation D allow issuers to bypass registration requirements by filing Form D with the SEC. There is no capital limit or rigid pricing constraint for firms to offer new shares privately. Regarding the lock-up period, the resell of restricted security is prohibited for a period ranging from 6 months to 1 year.[3] Over the past three decades, the background of stock-financed acquisitions has undergone significant changes. All-stock acquisition deals are prevalent during the 1990s but decline sharply from over 50% to 16% after 2000, while cash payments became more common. This shift has been attributed to factors such as the changes in accounting rules (De Bodt et al., 2018), and external pressures from cash-only sellers and private bidders (Eckbo et al., 2018). Overall, the flexible issuance requirement substantially reduces the time and expenses needed for acquirers to raise capital through private placement. However, it may also encourage speculative behavior by acquirers, which could hinder post-acquisition synergies.

2.2. Hypothesis Development

First, we examine whether stock acquisition can create value for acquiring firms in the Mainland China. The market overvaluation theory indicates that acquirers' overvaluation drives stock-financed acquisitions (Shleifer and Vishny, 2003; Rhodes-Kropf and Viswanathan, 2004). Firms may time their acquisitions based on market conditions, taking advantage of high valuations to acquire other firms that are perceived to be undervalued. Overvalued acquirers tend to make acquisitions with stock (Rhodes-Kropf et al., 2005; Dong et al., 2006). However, there is no conclusion about whether stock acquisitions driven by overvaluation can create value for shareholders. Savor et al. (2009) argue that success in a stock acquisition can create long-term value for shareholders because acquirers benefit from cost advantages when using

[3] "One rule investors commonly rely on to resell restricted securities requires you to hold the restricted securities for at least a year if the company does not file periodic reports (such as annual and quarterly reports) with the SEC and six months if the company does file periodic reports with the SEC. Most private companies that issue private placements do not file these periodic reports." https://www.securitieslawyer101.com/2022/rule-506b-and-rule-506c-private-placements-under-regulation-d/

overvalued stock to purchase target assets. However, Fu et al. (2013) challenge this idea and find that overvalued acquirers in stock acquisitions overpay for their targets and have negative synergies in the post-acquisition years. The equity overvaluation generates substantial agency costs (Jensen, 2005), which leads to value-destroying acquisitions and undermines the allocative efficiency of the market for corporate control. Inconsistent with the bidder opportunism hypothesis based on equity overvaluation, Eckbo et al., (2018) document that the use of stock to pay for the target is driven by the information asymmetry between bidders and the target. They find that public bidders use more stock in the deal payment when the target knows more about the bidders.

However, the overvaluation theory and the information asymmetry theory mentioned above are not entirely applicable to stock acquisitions in Mainland China, as the regulatory environment and acquisition process in China differ significantly from those in the United States. First, stock acquisitions in China, typically conducted through private placements, are regraded as major asset restructurings. The issuance pricing and information disclosure are exposed to stringent monitoring by CSRC. The approval process of the issuance is time-consuming and costly, as it requires multiple approvals from the board of directors, the shareholders' meeting, and the CSRC. Put differently, the cost advantage of using overvalued stock to acquire target assets may be offset by the issuance costs associated with private placements, rendering stock acquisitions less attractive. Second, competitive bids from multiple acquirers for the same target firm are rare in China. Acquirers in stock acquisitions are required to disclose information such as the target's financial status and the terms of the transaction. This regulatory requirement naturally mitigates the adverse selection between the acquirer and the target.

In this paper, we hold the view that signaling theory serves as the primary mechanism for explaining the impact of stock acquisitions on acquirers' post-acquisition performance. First, the high costs and barriers to entry stock acquisitions via private placements send a signal that the acquirer is willing to bear these burdens because they have belief in the target's potential performance. Acquiring firms expect to achieve substantial synergies or value enhancement following the merger. Second, private placement acquisitions are typically accompanied by lock-up periods, which can be interpreted as a commitment by shareholders to jointly bear market risks and rewards with the firm. This mechanism helps ensure that the interests of blockholders and the acquiring firm aligned for a period after the acquisition, facilitating post-acquisition resource integration and enhancing investor confidence in holding the acquirer's stock for the long term.

Second, we examine the effect of pricing mechanism of private placements on the post-acquisition performance of acquirers. The monitoring hypothesis, the information asymmetry hypothesis, and the managerial entrenchment hypothesis are the primary theoretical frameworks used to evaluate the value implications of private placements of equity (PPEs). According to Wruck (1989), the introduction of new blockholders through PPEs enables enhanced monitoring of incumbent management. The resulting increase in ownership concentration aligns the interests of large shareholders with those of the company, thereby mitigating agency problems and ultimately enhancing firm value. The discount in the issuance price is viewed as compensation for the monitoring services provided by these shareholders. Hertzel and Smith (1993), building on the information asymmetry hypothesis, argue that the discount offered in PPEs serves as compensation for investors' information collection costs. PPEs can mitigate the undervaluation of small firms due to challenges in obtaining information. Furthermore, PPEs help managers entrench by introducing passive investors, who are not willing to effectively monitor. This can weaken corporate governance and potentially destroy the long-term value of the firm (Krishnamurthy et al., 2005; Barclay et al., 2007). Existing studies document that the offering price, buyer identity, and shareholder approval are key value-related factors in private placements. For instance, private placements requiring shareholder approval signal the manager's willingness to obtain monitoring by existing shareholders; active buyers can provide more monitoring services; and premium pricing of PPEs can prevent dilution in share value and signal potential growth of the firm (Kang and Park, 2021).

As we mentioned above, unlike in the United States, private placements in China must undergo shareholder approval, and the majority are issued at a discount. While regulatory authorities impose minimum price thresholds on private placements, controlling shareholders still can affect the timing and pricing of the issuance by extending the trading suspension period or manipulating earnings. Unjustified discounts in private placements not only adversely affect minority shareholder interests and weaken corporate governance, but also undermine investor confidence, negatively affect the firm's long-term market performance.

The pricing mechanism of private placements, encompassing auction and negotiated pricing, is a crucial determinant of merger integration and post-acquisition performance. An auction-based offering involves the issuer and underwriters issuing subscription invitations to qualified investors, with the final offering price being determined through a centralized auction process. In contrast, a negotiated-pricing offering involves the listing firm negotiating and agreeing on the issuance price with specific investors, who are typically strategic investors or

affiliates of the offering firm. Compared to negotiated pricing, auction are more transparent and allows the issuance price to better reflect the firm's intrinsic value. This prevents controlling shareholders or management from issuing shares at excessive discounts for personal gain and promotes better corporate governance, which in turn facilitates resource integration following the acquisition. Additionally, auction-based offerings mitigate information asymmetry between investors and the acquirer, which lead to investors' stronger belief in post-acquisition synergies. We examine whether acquisitions paid for via negotiated-pricing private placements experience worse post-acquisition performance.

3. Data and Sample

Our mergers and acquisitions (M&A) data for firms in A-share market and HKSE during the period of 2000 and 2022 are obtained from the CSMAR and WIND. To construct the acquisition sample, we include completed acquisition deals where the acquirer is a listed company on the A-share market, classified under acquisition type "S3001" in the CSMAR database. We also include completed deals where the acquirer is a listed company on the Hong Kong Stock Exchange from WIND. Given that the legal framework for M&As in China was established by 2002, we limit the acquisition sample between 2002 and 2022. We exclude financial institutions and remove deals with missing or amounts below one million yuan. In calculating long-term market and operational performance, if an acquirer announces multiple M&A deals in the same year, only the first private placement transaction is included. If there is no private placement transaction in that year, the first non-private placement acquisition is included. Finally, deals with missing key control variables are excluded. Taken together, our final sample covers firm-year level 2,258 firms, 4,269 acquisition deals in the A-share market and 350 firms, 469 acquisition deals in the H-share market from 2002 to 2022.

For the partial acquisition sample, we retain the targets listed on A-share or Hong Kong stock exchanges from the Wind M&A database. We include only those transactions where the acquired stake is 5% or more of the total shareholding. Financial institutions are excluded from the sample. Our final sample includes 1,917 firms and 3,859 deals from the A-share market, 237 firms and 303 deals from the HKSE.

3.1. Measures of Market and Operational Performance

We follow the CAPM to estimate the abnormal return during the announcement period:

$$AR_{it} = (R_{it} - R_{ft}) - \beta_{it}(R_{mt} - R_{ft})$$

where R_{it} is the daily return for firm *i* on the date *t*, R_{mt} is the value-weighted market return

on date t, R_{ft} is the risk-free rate, and β_{it} is estimated based on daily returns from past 200 trading days [-220, -21] using the CAPM. *AnnReturn_1d* is the abnormal return on the day of M&A announcement. *AnnReturn_3d* is the sum of the daily abnormal returns over the three-day event window around the M&A announcement date. If the stock is not traded on the announcement day, we select the nearest trading day to the announcement.

Following Fu et al. (2013), we calculate market-adjusted buy-and-hold returns to measure the long-term stock performance:

$$BHAR_{it} = \prod_{t=s}^{s+T}(1 + R_{it}) - \prod_{t=s}^{s+T}(1 + R_{mt})$$

where t=s is the M&A announcement date, R_{it} is the daily return for firm i on the date t, R_{mt} is the value-weighted market return on date t, and T is the holding period. *BHAR_12m*, *BHAR_24m*, and *BHAR_36m* are the buy-and-hold abnormal returns over holding periods of 12, 24, and 36 months, respectively. We include only those buy-and-hold abnormal returns that encompass a minimum of 180, 360, and 540 trading days within the respective 12-, 24-, and 36-month periods.

We measure firms' operational performance using return on assets (ROA) and return on equity (ROE). Specifically, *ROA_1yr* is the ROA in the year following the completion of the acquisition, *ROA_2yr* is the average ROA over the first two years post-acquisition, and *ROA_3yr* is the average ROA over the first three years post-acquisition. The calculation of post-acquisition ROE follows the same methodology.

3.2. Summary Statistics

Panel A of Table 1 reports the summary statistics of abnormal returns of A-share listed acquiring firms during the announcement and post-acquisition periods, as well as their ROA and ROE during the first three years following the deal completion. Additionally, some key characteristics of the acquiring firms in the fiscal year prior to the acquisition announcement are also included. Acquirers' average and median abnormal returns during the acquisition announcement period are both positive. As for the post-acquisition buy-and-hold abnormal returns (BHAR), the average value is positive, but the median is negative. Moreover, both the mean and median values of BHAR decreases over time, suggesting that the long-term market performance after the deal completion for most firms in the A-share market is poor, with significant variation across different firms. Acquirers' average ROA and ROE also show a decline over time following the deal completion. The characteristics of the deals indicate that approximately 26.9% of the deals in the sample involve private placements as the payment,

while about 36.7% include performance guarantees. Additionally, around 74.1% of the private placement acquisitions are negotiated priced, 41.5% of the deals are successive acquisitions, with the acquiring firm having made at least one acquisition announcement in the three years prior to the current deal.

Panel B reports the market performance, operating performance, and other firm and deal characteristics for the partial acquisition sample of A-share listed firms, consistent with the definitions in Panel A. *Total_Buyratio* represents the proportion of the firm's shares acquired each year, and on average, about 17.5% of the firm's shares are subject to partial acquisitions annually.

In Table A1, we report the summary statistics for Hong Kong-listed firms in both the acquisition and block acquisition samples. Panel A shows that the mean and median post-acquisition BHAR for Hong Kong-listed firms are both negative, providing preliminary evidence that, on average, the long-term abnormal returns following acquisitions are worse for Hong Kong-listed firms compared to A-share firms. Hong Kong firms also engage in fewer successive acquisitions, with such transactions accounting for approximately 20.9% of the total. Panel B reveals that, following partial acquisitions, the mean and median ROA and ROE for Hong Kong-listed firms are both negative, indicating that these firms experience relatively poorer operating performance post-acquisition. On average, 32.6% of Hong Kong firms' shares are subject to partial acquisitions each year.

4. Post-Acquisition Performance of Acquirers

4.1 Compare the Performance of A-Share and Hong Kong-Listed Chinese Firms

We begin our study by comparing the post-acquisition performance of Chinese firms listed in A-share with Chinese firms listed in Hong Kong Stock Exchange. Following Allen et al.(2024), Hong Kong listed Chinese firms are those whose major business and operations in mainland China and are listed in Hong Kong. Since these firms' operations and revenues are primarily from mainland China, they share the same macro-economic environment and institutional environment (excluding the stock market) as A-share listed firms, making their post-acquisition performance more comparable to that of firms listed on domestic exchanges. Specifically, we extract the provinces of Hong Kong-listed firms from the Wind and exclude firms based in Hong Kong, Taiwan, Macau, or overseas. The remaining firms are classified as Hong Kong-listed Chinese firms. We estimate the following model:

$$Performance_{i,t} = \alpha + \beta_1 A_share\ Listed + \beta_2 HK_Listed\ Chinses + \gamma Firm\ and\ Deal\ Controls + \eta_t + \xi_{ind} + \epsilon_{i,ind,t} \quad (1)$$

The dependent variable is the acquiring firm's announcement returns, measured as the cumulative abnormal returns over 1 and 3 days, or the buy-and-hold abnormal returns (BHAR) over 12, 24, and 36 months after the acquisition announcement, or the post-acquisition ROA and ROE. *A share Listed* takes the value of one if the acquiring firm is listed on the A-share market (including the SSE, SZSE, or BSE). *HK Listed Chinese* takes the value of one if the firm is listed on HKSE but has its major business and operations in mainland China.

Following Qian and Zhu (2018), we control for firm characteristics at the fiscal year-end prior to the acquisition announcement and M&A deal characteristics. The firm-level controls include: the acquirer's *market-to-book ratio*, *operating cash flow*, *leverage*, *accruals*, the ratio of total accruals to total revenue, *net operating assets (NOA)*, and *PreAnnreturn*, calculated as the acquirer's buy-and-hold return from 220 to 21 trading days prior to the acquisition announcement. The deal-level controls include: *relative size*, defined as the ratio of the transaction value to the acquirer's total assets in the year prior to the acquisition announcement date; *related deal*, which takes the value of one if the transaction is flagged as a related party transaction in CSMAR, and zero otherwise; *serial_3yr,* which takes the value of one if the acquirer has successfully completed at least one acquisition in the three years prior to the current deal, and zero otherwise. Following Offenberg and Pirinsky (2015), Wang and Xie (2007), we include the acquirer's industry, year and merger type fixed effects in the regressions, where merger type encompass the horizontal, vertical, conglomerate merger and others. Detailed definitions of all variables are provided in Appendix B.

Panel A of Table 2 reports the cumulative abnormal returns (CAR) for acquiring firms over a 1-day and 3-day window during the announcement period. Columns (1)-(2) include only *A-Share Listed* from model (1), comparing the abnormal returns of A-share listed firms relative to Hong Kong-listed firms during the acquisition announcement period. Columns (3)-(4) further include the variable *HK-Listed Chinese*, comparing the acquisition announcement period returns between A-share listed firms and Hong Kong-listed Chinese firms. The results show that both Chinese firms in A share and HKSE experience significantly positive announcement returns. Panel B of Table 2 reports the buy-and-hold abnormal returns (BHARs) for acquirers over 12, 24, and 36 months after the acquisition announcement. We find that, compared to Hong Kong-listed firms or Hong Kong-listed Chinese firms, A-share listed firms

always exhibit significantly better long-term abnormal returns across all three post-acquisition windows. As shown in column (6), the 3-year BHARs for A-share listed firms is 18.3% higher than that of Hong Kong-listed firms. The results show that, although both A-share and Hong Kong-listed acquisition announcements triggered positive market reactions for acquirers, only A-share firms demonstrate an improvement in long-term market performance post-acquisition.

Table 3 reports the operating performance (ROA) of acquiring firms after the acquisition completion. The results in columns (1)-(3) indicate that A-share listed acquirers have significantly higher average ROA over 1-3 years post-acquisition compared to their Hong Kong-listed counterparts. Columns (4)-(6) further compare the post-acquisition ROA between A-share listed acquirers and Hong Kong-listed Chinese acquirers. By calculating the difference between the estimated coefficients β_1 and β_2, we find that the average ROA of A-share listed acquirers increases from 0.9% in the first year post-acquisition to 2.5% in the third year. This suggests that A-share listed acquirers also exhibit better operational performance than Hong Kong-listed Chinese acquirers over the 1-3 years following the acquisition.

These findings highlight the importance of mergers and acquisitions (M&As) as an external governance mechanism in enhancing company value. M&As helps to some extent bridge the long-term performance gap of A-share listed firms, which is often due to weaker corporate governance, relative to their overseas-listed counterparts (Allen et al. 2024).

4.2 Robustness: Comparing Completed and Withdrawn Acquisitions

To disentangle whether the observed post-acquisition performance improvements are truly attributable to the completion of the acquisitions, rather than selection effects or underlying firm characteristics, we compare the post-acquisition outcomes of firms that successfully completed their announced acquisitions with those that subsequently withdrew, as presented in Table 4.

We first identify listed acquirers that failed to complete their announced acquisitions, which are marked as "N" under the variable *issucceed* in the CSMAR M&A database. To mitigate potential confounding effects from other successful deals, we further exclude failed acquisition cases where the acquirer completed any other acquisition within a three-year window before or after the failed acquisition announcement. Our final sample comprises 938 failed acquisition deals with no missing data on firm- and deal-level characteristics.

Appendix A2 presents the univariate tests comparing the post-announcement market and operating performance between completed and withdrawn deals. We find that, on average, completed acquisitions have significantly higher buy-and-hold abnormal returns (BHARs)

over 12 to 36 months following the announcement, relative to withdrawn deals. Similarly, we observe consistent results in operating performance, as measured by return on assets (ROA), where successful acquirers outperform their withdrawn counterparts in the first to third calendar years after the announcement. These patterns persist even after controlling for pre-acquisition firm and deal characteristics that may affect long-term performance. Table 4 reports the regression estimation results. In Columns (1) to (3), the dependent variable is BHAR. Successful acquisitions exhibit, on average, a 22.1 percentage point higher BHAR over the 24 months post-announcement relative to failed deals, significant at the 1% level (as shown in Appendix A2, the average 24-month BHAR is -0.093 for failed deals and 0.154 for successful deals). In Columns (4) to (6), the dependent variable is ROA. We find that completed acquisitions are associated with a 1.8 percentage point higher ROA two years after the announcement, which is both statistically significant and economically meaningful, considering the average ROA of firms with failed acquisitions.

Overall, these results suggest that the superior long-term market and operating performance of A-share listed acquirers following M&A activities is primarily attributable to the completion of the acquisitions themselves, rather than to pre-existing firm characteristics or selection biases. This helps to alleviate concerns regarding potential endogeneity in our main findings.

4.3 Heterogeneity in Post-Acquisition Long-Term Performance

Thus far, our analysis consistently demonstrate that A-share listed acquirers have superior post-acquisition market and operating performance compared to Hong Kong listed firms, Hong Kong listed Chinese firms, and A-share firms whose announced acquisitions were ultimately withdrawn. We next examine the cross-sectional heterogeneity that have impact on the long-term post-acquisition performance of A-share listed acquirers, focusing on ownership structure and transaction characteristics that may amplify or compress post-acquisition value creation.

The A-share listed firms have long been criticized for weaknesses in corporate governance. The resulting agency problems and information asymmetry constitute core impediments to efficiency and shareholder value creation of M&A activities in Mainland China. In particular, tunneling effect, where controlling shareholders divert corporate resources for personal benefit at the expense of minority investors, represents a typical form of agency problem in the Chinese market. Moreover, agency problems are often exacerbated by state ownership and political interference, which distort managerial incentives and lead to policy-driven acquisitions, further undermining the efficiency of corporate acquisitions.

4.3.1 Related-party Transactions (RPTs) and Post-acquisition Performance

Related-party transactions in M&As refer to acquisitions or mergers in which the listed company engages in deals with its controlling shareholder, ultimate controller, or other affiliated parties under common control. Such deals often raise governance concerns, as they provide controlling shareholders with opportunities for tunneling by inflating purchase prices, transferring low-quality assets, or diverting funds from minority shareholders. In emerging markets, RPTs are frequently associated with higher information asymmetry and weaker minority protection. In addition, RPTs may also involve distressed listed firms acquiring high-quality assets from affiliated parties to swiftly improve their financial performance and avoid delisting risks.

In Table 5, we examine the heterogeneity of post-acquisition performance by focusing on whether A-share firms engaged in related-party transactions (RPTs). Specifically, we compare the post-acquisition performance among three groups: A-share acquirers involved in related-party transactions, A-share acquirers involved in non-related-party transactions, and Chinese firms listed in Hong Kong. We find that A-share firms engaging in non-related-party acquisitions significantly outperform those involved in related-party transactions in terms of market performance. As shown in Columns (3) and (6), non-RPT A-share acquirers exhibit a 0.261 higher 36-month BHAR than RPT acquirers and a 0.228 higher BHAR than HK listed Chinese acquirers. Similarly, in terms of operating performance, non-related-party acquisitions by A-share firms exhibit a 0.031 higher ROA over the three years after the deal completion compared to related-party acquisitions, and a 0.034 higher ROA relative to Hong Kong-listed Chinese firms. We also find that Hong Kong-listed Chinese firms outperform RPT A-share acquirers after the acquisition.

These results indicate that the superior long-term performance observed among A-share acquirers is primarily driven by non-related-party transactions. While related-party acquisitions by A-share listed acquirers do not necessarily destroy value, their post-acquisition performance is significantly weaker compared to both non-related-party transactions by A-share firms and acquisitions by Hong Kong listed Chinese firms. This relative underperformance underscores the potential tunneling risks embedded in related-party deals and suggests a lower level of efficiency in value creation through such transactions. Taken together, these findings highlight the need for enhanced scrutiny and stricter governance of related-party acquisitions to better protect minority shareholders and to promote greater post-acquisition integration and synergy realization.

4.3.2 State Ownership and Post-acquisition Performance

We further examine whether state ownership influences post-acquisition performance, given the unique role of state-owned enterprises (SOEs) in China's corporate landscape. In our sample of A-share listed acquirers, SOEs account for 26.9% of all acquisition deals, but these transactions represent 52.9% of the total deal value, underscoring their dominant position in large-scale M&As. Despite their scale, SOE acquisitions often attract concerns regarding their underlying motives and efficiency. SOEs often pursue acquisitions not solely for commercial or value-maximizing purposes but also to fulfill political mandates, implement industrial policies, or achieve bureaucratic objectives. These policy-driven motives may lead to inefficient resource allocation, overpayment for targets, and difficulties in post-acquisition integration. Nevertheless, SOEs may also benefit from unique advantages such as preferential access to financing, government subsidies, and regulatory support, which could partially mitigate the risks associated with their acquisitions. This duality makes it essential to examine the impact of state ownership on A-share listed acquirers' post-acquisition performance.

In Table 6, we analyze the heterogeneity of post-acquisition performance by distinguishing between A-share state-owned enterprise (SOE) acquirers, A-share non-SOE acquirers, and Chinese firms listed in Hong Kong. The results show that A-share non-SOE acquirers consistently achieve the highest post-acquisition performance among the three groups. Although A-share SOE acquirers do achieve positive and significant post-acquisition BHARs and average ROA, their performance is weaker relative to non-SOE peers. In addition, we find that Hong Kong listed Chinese firms exhibit the weakest post-acquisition performance among the three groups. Both their operating performance over the first three years after acquisitions and their 36-month BHAR are lower than those of A-share SOE and non-SOE acquirers.

These results highlight the crucial role of ownership structure in shaping post-merger outcomes. The consistently stronger performance of non-SOE acquirers suggests that market-driven incentives and governance mechanisms are more effective in facilitating value creation following acquisitions. By contrast, the relatively weaker results for SOE acquirers point to ongoing agency problems and potential political interference, which may limit the efficiency of resource allocation and post-acquisition integration in state-owned firms.

4.4. Performance of Acquisitions via Private Placements

We next examine the factors affecting the post-acquisition performance of acquirers in Mainland China, with a particular focus on stock-financed mergers, which predominantly take

the form of private placements of stocks. The motivations and outcomes of stock-payment acquisitions in U.S. have been extensively investigated, information asymmetry (Hansen, 1987; Eckbo et al., 2018), agency problems under overvaluation (Shleifer and Vishny, 2003; Rhodes-Kropf and Viswanathan, 2004; Fu et al., 2013), and taxes (Betton et al., 2008) are identified as primary drivers of stock acquisitions, with mixed conclusions regarding their post-merger performance. However, in the context of the strictly regulated A-share market, the cost advantages associated with stock acquisitions due to overvaluation may be offset by the issuance costs inherent in private placements. Acquirers in A share market are more likely to pursue stock acquisitions with the expectation of post-merger synergies, such as mitigating adverse selection problems arising from information asymmetry with the target firm, or the acquirer's strong confidence in the target's potential growth, which justifies bearing the additional costs and complexities associated with the private placement process.

To identify whether the private placement acquisitions convey information to the market, we examine the post-acquisition market performance of private placement acquisitions relative to non-private placement acquisitions in Table 7. We estimate the following model:

$$Performance_{i,t} = \alpha + \beta_1 PPE + \gamma Firm\ and\ Deal\ Controls + \eta_t + \xi_{ind} + \epsilon_{i,ind,t} \quad (2)$$

In Equation (2), the variable *PPE* takes the value of one if the acquisition is financed through a private placement (PPE), and zero otherwise. We include transactions that are fully financed or partially financed through private placements, as indicated by the "Q2201" in the CSMAR funding source classification. The control variables at the firm- and deal-level and fixed effects are consistent with those in Equation (1). Considering the pivotal role of state-owned enterprise (SOE) mergers and acquisitions in advancing mixed-ownership reform in Mainland China, we control for the ownership structure in our regressions. *SOE* takes the value of one if the firm is a state-owned enterprise in the year of the acquisition announcement, and zero otherwise.

Columns (1) and (2) of Table 7 present the announcement period returns for acquisitions paid by private placement stocks. The results show that acquirers in private placement acquisitions have significantly higher one-day CARs of 1.6% and three-day CARs of 3.4%, suggesting that acquisitions paid with stocks through private placements send a stronger positive signal to the market in the short term. Given that short-term abnormal returns can be affected by market noise, we further examine whether investors expect long-term value growth for acquirers involved in private placement acquisitions and whether such acquisitions create

more value for shareholders over time. Columns (3)-(5) show the buy-and-hold abnormal returns (BHARs) for private placement acquisitions relative to non-private placement acquisitions over 12, 24, and 36 months following the acquisition announcement. We find that acquirers in private placement deals have better 12- and 24-month buy-and-hold abnormal returns. As shown in column (4), the 24-month BHARs for PPE-acquirers is 9.2% higher compared to non-PPE acquirers. The average 24-month BHARs in the sample is 13.8%, highlighting the magnitude of this result. However, the long-term abnormal returns of acquirers using private placements decline to the level seen at 12 months by the 36-month post-acquisition (column 5).

Taken together, we find that stock acquisitions via private placements have a more positive market reaction and a better market performance over a two-year period. This suggests that the market holds optimistic expectations for firms using private placements for acquisitions in the medium to long term, reflecting investor confidence in the post-merger growth prospects of these firms. This is consistent with our hypothesis that private placement acquisitions signal the acquirer's belief in the target firm's potential for future expansion, while the lock-up period further conveys alignment between management and shareholder interests.

In Table 8, we examine the acquirer's operating performance after the stock acquisition via private placements. As shown in columns (1)-(3), acquirers in private placement deals experience a 0.7% increase in average ROA over the two years following the acquisition, and a 0.8% increase over the three-year period, with both results statistically significant at the 5% level. Similarly, as shown in columns (5) to (6), the average ROE for private placement acquirers increases by 1.9% over the two years and by 3.4% over the three years post-acquisition. These findings suggest that private placement acquisitions generate synergy effects in the two to three years following the acquisition. Similar to the positive signals they convey to the market, acquirers experience a notable growth of profit.

4.4.1 Pricing Mechanism of Private Placements

To test the second hypothesis, we compare the post-acquisition performance of acquisitions in which the issuance price was determined through negotiated pricing with those in which the price was set via auction-based pricing, within a subsample that only includes private placement acquisition deals. Specifically, we replace the PPE variable in model (2) with *Negotiated_Pricing*, which takes the value of one if the issuance price of private placements is determined through negotiations between the acquirer and specific investors, and zero otherwise. Among the 1,146 private placement deals at the firm-year level, 669 involves

negotiated pricing.

As shown in columns (1) and (4) of Table 9, the estimated coefficients for *Negotiated_Pricing* are negative and statistically significant at the 1% level. These results suggest that, within the same industry and year, acquirers that make private placement acquisitions with negotiated offering price have a 1.2% lower ROA and a 2.9% lower ROE in the year following the acquisition, compared to acquirers using auction-based pricing. The coefficients in the other columns are positive but statistically insignificant, indicating that the negative performance associated with negotiated pricing is only observed in the short term, with the differences disappearing after 2-3 years. This may be attributed to the fact that negotiated pricing often involves discounted issuance or lower acquisition premiums, leading the market to perceive the acquirer's stock price as undervalued during the acquisition. In the short term, the market may absorb this undervaluation, resulting in a decline in ROA and ROE. However, as the integration progresses, market confidence improves, and synergies gradually materialize, the performance gap tends to diminish after 2-3 years.

4.4.2 Lock-up Period Reform and Performance of Acquisitions via Private Placements

In earlier analyses, we hypothesize that one key reason behind the outperformance of acquisitions via private placements in A-share market is the mandatory lock-up period imposed on private placement of new shares, which effectively aligns the interests of targets and acquirers during the post-deal integration phase. The lock-up period helps ensure that major shareholders of targets remain committed to the long-term success of the combined entity, thereby facilitating post-acquisition integration and enhancing value creation.

To directly assess the role of the lock-up period in driving the superior performance of private placement acquisitions, we exploit the 2020 reform that shortened the mandatory lock-up period for private placements as an exogenous policy shock. This reform provides a natural experiment to examine whether the reduction of the lock-up period weakens the alignment of interests between acquirers and targets, thereby diminishing the post-acquisition benefits associated with private placements. Specifically, we test whether private placement acquisitions announced after the reform exhibit different market and operating performance compared to those completed before the reform.

Panel A of Table 10 reports results on post-acquisition market performance, including short-term announcement returns and long-term BHARs. The coefficient on PPE captures the post-acquisition performance of private placement-financed acquisitions prior to the 2020 lock-up period reform. We find that these acquisitions are associated with significantly positive

market reactions and long-term stock performance before the reform. The interaction term, *PPE*×*Post_Lockup_Reform*, captures the change in performance of private placement acquisitions after the reform relative to before. The coefficients of the interaction term are negative across all BHAR measures, suggesting that shortened the lock-up period weaken the long-term market performance of private placement acquisitions. As shown in column (4) of panel A, the 12-month BHAR decreased by 13.5% after the shortening of the lock-up period compared to the pre-reform period, significantly at the 1% level. Panel B shows the results for operating performance, measured by ROA and ROE. Similar to the market performance results, the coefficients of the interaction term are negative across all measures, suggesting that the shortened lock-up period may also weaken the operating performance of private placement acquisitions, despite the lack of statistical significance.

These results confirm that private placement acquisitions have superior market and operating performance prior to the 2020 reform, consistent with the incentive-alignment hypothesis of the lock-up period. Our finding support the notion that the unique institutional background of private placements in China, particularly the mandatory lock-up period, contributes to better long-term market performance and post-acquisition synergies. This contrasts with the U.S. market, where the literature often attributes the underperformance of private placements to mispricing effects.

4.5. Corporate Governance and Post Acquisition Performance

As shown above, agency conflicts play a crucial role in shaping both acquisition decisions and post-acquisition performance. Firms with stronger internal governance mechanisms are generally better positioned to mitigate such conflicts and avoid value-destroying deals. In Table 11, we examine whether ownership structure, specifically ownership concentration and managerial ownership, explains differences in post-acquisition performance between private placement and non-private placement acquisitions.

We find that ownership concentration (*Top5*) is positively and significantly associated with both ROA and ROE over the one-, two-, and three-year post-acquisition windows. As shown in Table 11 of column (3) and (6), the coefficient on *Top5* reaches 0.030 for ROA and 0.095 for ROE in the third year, both significant at the 1% level. This suggests that concentrated ownership strengthens monitoring by large shareholders, thereby improving acquisition efficiency and post-deal integration. In contrast, managerial ownership (*MngtHold*) does not show a significant relationship with post-acquisition performance, suggesting that either alignment effects are weak or potential entrenchment offsets the benefits of alignment. While

managerial ownership theoretically helps align the interests of managers and shareholders, it may also lead to the potential entrenchment effect, as managers with significant ownership stakes may pursue self-serving strategies and resist external monitoring (Harford et al., 2012)

Importantly, after controlling for ownership structure, private placement acquisitions continue to exhibit superior long-term performance relative to non-private placement deals. The coefficients on *PPE* remain stable and significant, indicating that the positive effect of private placement acquisitions is robust and not merely driven by differences in corporate governance.

Building on this evidence, Table 12 further examine whether the positive impact of ownership concentration differs between related-party and non-related-party acquisitions. This test is motivated by the potential trade-off: while concentrated ownership enhances monitoring, it may also facilitate tunneling in related-party transactions. Specifically, we include an interaction term between *Top5* and the related-party transaction dummy to test whether ownership concentration has the same governance benefits in transactions with higher tunneling risks. The coefficient on *Top5* reflects the effect of ownership concentration on post-acquisition performance in non-related-party transactions. The consistently positive and significant coefficients suggest that, in non-related-party deals, concentrated ownership improves post-acquisition outcomes through enhanced monitoring and reduced agency costs.

The interaction term, *Related Deal*×*Top5*, captures the relative difference in performance between related-party and non-related-party transactions at the same level of ownership concentration. Although the coefficients on this interaction term are negative and insignificant, their direction suggests that the positive effect of ownership concentration observed in non-related-party transactions may be weakened in related-party transactions, potentially due to heightened tunneling risks or weakened monitoring incentives in such deals.

Taken together, the results from Tables 11 and 12 provide important insights into the role of ownership structure in shaping post-acquisition performance. While ownership concentration serves as an effective internal governance mechanism in reducing agency conflicts and improving post-acquisition performance in most cases, its effectiveness may diminish in transactions prone to tunneling.

5. Performance of Target Firms after Partial Acquisitions

In this section, we examine the performance of A-share listed firms as target firms following partial acquisitions. We aim to identify which firm characteristics are associated with better accounting performance after a partial acquisition, and to investigate the correlation

between changes in ownership structure and post-acquisition firm performance.

5.1. Post-Partial Acquisition Performance: A-share versus Hong Kong-listed Firm

In Table 13, we compare the long-term market and operating performance of A-share listed firms and Hong Kong-listed firms after being partial acquired. For firms that experience multiple partial acquisitions within a year, we aggregated the total percentage of shares acquired in that year and retained only one observation per firm for that year. The firm characteristics that are controlled for in the regressions are consistent with those in Equations (1) and (2). Additionally, we also include the total percentage of shares acquired within a year *Total Buyratio* and a dummy variable *Large*, that measures whether the firm is a large-cap firm. It takes the value of one if the firm's market capitalization in the year prior to the acquisition is above the 70^{th} percentile, and zero otherwise. Changes in shareholding directly affect the target firms' ownership structure, which in turn affect their business operations. Large firms in the A-share market typically have higher ownership concentration and are more sensitive to the changes in such shareholding change caused by partial acquisitions. Both two are key factors that can affect firm's operating performance after the partial acquisition.

We find that, following partial acquisitions, A-share listed firms exhibit higher BHARs and better operational performance compared to Hong Kong-listed firms. This result implies that the changes in the shareholder structure of A-share firms after a partial acquisition attract more market attention and pressure, prompting management to focus more on enhancing long-term shareholder value, which ultimately improves the firm's operational performance.

5.2. Targeted Shareholding Proportion and Post-Partial Acquisition Performance

In Table 14, we examine the relationship between the proportion of shares acquired in partial acquisitions and post-acquisition performance. Changes in shareholding directly affect the ownership structure, particularly the concentration of ownership. We hypothesize that the greater the shareholding change, the more pressure the management faces from new or large shareholders, which forces them to improve governance structures and focus on long-term value creation.

In Panel A, we compare the impact of the proportion of shares acquired in partial acquisitions on BHARs for 12, 24, and 36 months post-acquisition, and on ROA over the first three years after the acquisition, between A-share and Hong Kong-listed firms. The coefficient of the interaction term *A_Share Listed* × *Total Buyratio* in the regression reflects the differential effect of the proportion of shares acquired on post-acquisition performance between

A-share and Hong Kong-listed firms. The results show that a higher proportion of shares acquired leads to better long-term market and operational performance, with A-share firms performing better than Hong Kong-listed firms. In Panel B, we examine the relationship between the proportion of shares acquired and post-acquisition performance within A-share listed firms. The results further confirm that a higher proportion of shares acquired in partial acquisitions leads to better market and operational performance for A-share listed firms post-acquisition.

The results reveal that when there is a change in shareholding, such as during partial acquisitions or stake increases, A share listed firms face heightened pressure from new shareholders or institutional investors to improve governance structures and deliver long-term value. This pressure is more pronounced because of the concentrated ownership, where major shareholders actively engage in strategic decisions, governance reforms, and the long-term performance of the firm.

5.3. Changes in Ownership Concentration and Post-Partial Acquisition Performance

Lastly, we examine the impact of changes in corporate governance structure, accompanied by changes in the shareholding during partial acquisitions, on post-acquisition operating performance. On one hand, higher ownership concentration increases controlling shareholders' tunneling, potentially harming the interests of minority shareholders. It is often regarded as the indicator of poor corporate governance and could hinder performance growth. On the other hand, higher ownership concentration provides controlling shareholders with stronger incentives to monitor management, which can better address the first type of agency problem. Therefore, in the context of partial acquisitions, our focus is to investigate whether improvements in governance structure stem from alleviating the agency problem between management and controlling shareholders, or from alleviating the agency problem between controlling and minority shareholders, ultimately improving long-term operating performance.

Specifically, we calculate the changes in the ownership percentage of the top five shareholders in A-share listed firms before and after a partial acquisition over a one-year period, to measure changes in ownership concentration. *Dum_Top5* is an indicator variable that takes he value of one if the firm experience an increase in the ownership concentration measure by the shareholding proportion of top five shareholders. In Table 15, the results show that firms with increased ownership concentration have better market and operating performance after being partial acquired. This suggests that partial acquisitions alleviate the agency problems between controlling shareholders and management in A-share listed firms.

6. Conclusion

This paper provides a systematic analysis of how mergers and acquisitions (M&As) as an external governance tool impact the value of Chinese firms. We focus on whether and how stock-based acquisitions via private placements affect the market and accounting performance of Mainland Chinese firms. We find that the market responds more positively to private placement acquisitions, and acquirers exhibit better long-term market and operating performance after the acquisition. Private placements with negotiated pricing have a short-term negative impact on the acquirer's profitability, but this effect dissipates in the long term as resources are integrated and synergies materialize. The corporate governance prior to the acquisition affects the post-acquisition synergies: firms with excessively high ownership concentration or high management ownership demonstrate poorer post-acquisition performance. Additionally, we examine how acquisitions affect firm value through changes in internal governance structures. The results reveal that external leadership succession is a key factor in the improved operating performance of acquirers following private placement acquisitions.

Different from stock acquisitions in the U.S., stock acquisitions in China are primarily carried out through private placements, which are subject to strict regulatory and approval processes in Mainland China. This process is time-consuming, costly, and fraught with uncertainty. When acquirers choose to use private placements as consideration for an acquisition, it indicates that the target firm has higher value and growth potential, and the benefits from resource integration outweigh the costs of the private placement itself. Moreover, private placement stocks are subject to a lengthy lock-up period, ensuring that the interests of shareholders and the company remain aligned for a certain period, making it more likely that business decisions will focus on the long-term growth of the firm's value. We argue that the stringent regulatory environment surrounding private placements in China sends a high-quality signal about the acquisition and boosts investor confidence in the market.

To provide a comprehensive understanding of how M&As affect firm value in China, we also examine the effects of partial acquisitions on the target firm's performance. We find that A-share listed firms show improved operating performance after being partially acquired. Larger firms tend to perform better post-acquisition. Additionally, the greater the percentage of shares acquired, the better the post-acquisition operating performance. We also analyze how partial acquisitions affect the corporate governance structure, thereby leading to the improvement of operating performance. The results reveal that an increase in ownership

concentration is a key factor in the partial acquisition. This suggests that partial acquisitions alleviate agency problems between management and controlling shareholders, and by strengthening ownership concentration, partial acquisitions enhance the long-term value of the firm.

Our study provides a comprehensive analysis of how mergers and acquisitions as an external governance tool impact the value of Chinese firms. By examining stock acquisitions, partial acquisitions, and comparing the post-acquisition performance of A-share listed firms with that of Hong Kong-listed Chinese firms, we offer a thorough depiction of market reactions to these acquisitions and their effects on firm value in the long term. This provides empirical evidence for using mergers and acquisitions to enhance corporate governance structures, thereby improving the long-term value of firms.

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Figure 1. Number of Acquisition Deals in the A-Share and Hong Kong Stock Markets

This figure plots the number of M&A deals announced publicly for the first time by A-share listed firms, H-share listed Chinese firms, and other H-share firms from 2002 to 2022.

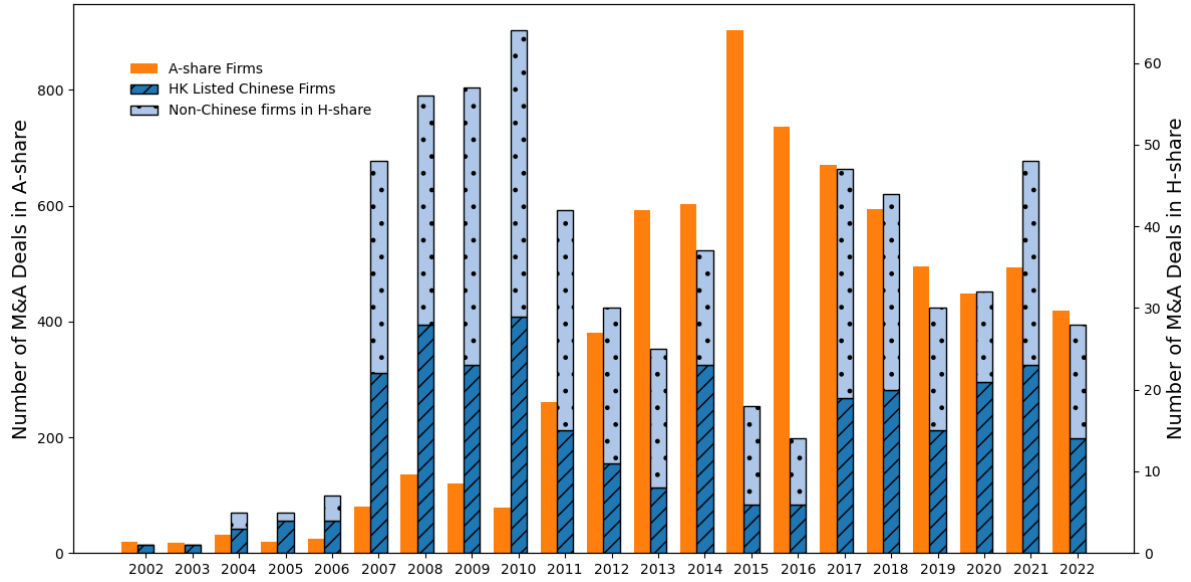


Figure 2. Stock Acquisitions via Private Placement and Non-Private Placement in the A-Share Market

This figure plots the number and value of mergers and acquisitions conducted through private placements and non-private placements in the A-share market from 2002 to 2022.

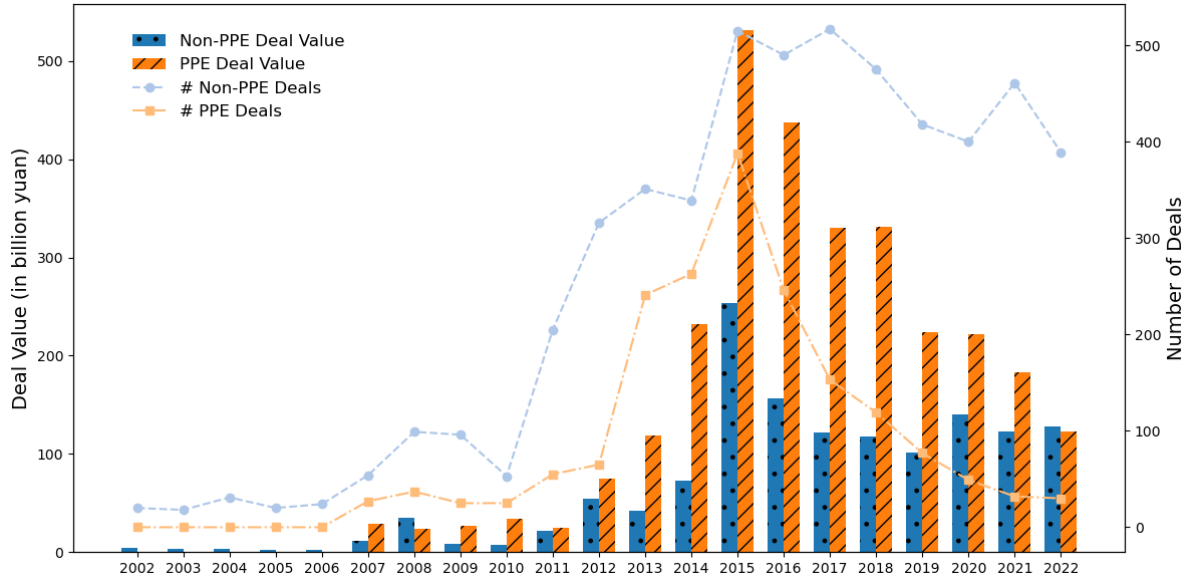


Figure 3. Post-Acquisition Buy-and-Hold Abnormal Returns over 36 Months

This figure plots the buy-and-hold abnormal returns (BHAR) over 36 months following the acquisition completion for A-share listed acquirers, A-share listed acquirers that pay through private placements, A-share listed acquirers that do not pay through private placements, Hong Kong-listed acquirers and Hong Kong-listed Chinese acquirers .

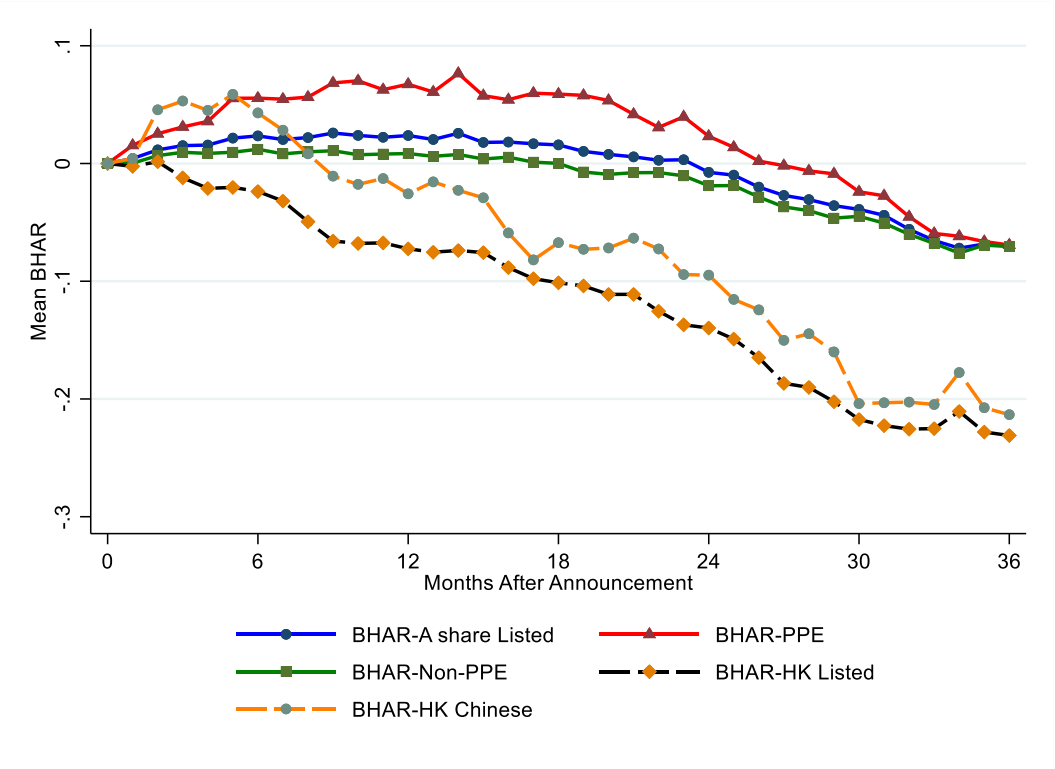


Table 1
Summary Statistics

Panel A reports the post-acquisition market performance, operating performance, firm characteristics, and M&A deal characteristics of acquiring firms listed on A share from 2002 to 2022. Panel B reports the post-acquisition market performance, operating performance and firm characteristics of target firms listed on the A share in partial acquisitions between 2002 and 2022. Post-acquisition market performance is measured by announcement-period abnormal returns and long-term buy and hold returns after the completion of acquisition. Operating performance is measured by the average ROA and ROE over the 1-3 years following the completion of the acquisition. Accounting variables related to firm characteristics are measured at the fiscal year-end before the deal announcement date. See the appendix for the definitions of all the variables.

Panel A. Acquisitions by Listed Firms

Variable	Obs	Mean	SD	P25	Median	P75
AnnReturn_3d	4,858	0.027	0.097	-0.025	0.009	0.069
AnnReturn_1d	4,858	0.015	0.056	-0.014	0.007	0.051
BHAR_1yr	3,941	0.034	0.426	-0.236	-0.054	0.191
BHAR_2yr	4,017	0.039	0.656	-0.358	-0.109	0.222
BHAR_3yr	3,933	0.011	0.807	-0.461	-0.186	0.230
ROA_1yr	3,848	0.045	0.076	0.028	0.051	0.080
ROA_2yr	3,849	0.038	0.079	0.024	0.047	0.076
ROA_3yr	3,849	0.032	0.078	0.014	0.044	0.072
ROE_1yr	3,837	0.042	0.171	0.030	0.068	0.111
ROE_2yr	3,843	0.022	0.205	0.021	0.062	0.106
ROE_3yr	3,843	-0.010	0.312	0.005	0.058	0.101
PPE	4,259	0.269	0.444	0.000	0.000	1.000
SOE	4,259	0.288	0.453	0.000	0.000	1.000
Market-to-Book	4,259	2.646	2.320	1.184	1.941	3.278
Accruals	4,259	-0.009	0.206	-0.078	-0.010	0.061
Acquirer Cash	4,259	0.171	0.133	0.077	0.133	0.231
NOA	4,259	21.167	1.223	20.336	21.066	21.894
PreAnnReturns	4,259	0.230	0.648	-0.169	0.052	0.412
Leverage	4,259	0.398	0.200	0.236	0.386	0.543
Relative_Size	4,259	0.274	0.618	0.017	0.066	0.229
Related_Deal	4,259	0.395	0.489	0.000	0.000	1.000
Merger_Type	4,259	2.264	0.817	2.000	2.000	3.000
Serial_3yr	4,259	0.415	0.493	0.000	0.000	1.000
Perf_Commit	4,259	0.367	0.482	0.000	0.000	1.000
Negotiated_Pricing	1,026	0.741	0.438	0.000	1.000	1.000

Panel B. Listed Firms as Partial Acquisition Targets

Variable	Obs	Mean	SD	P25	Median	P75
AnnReturn_3d	3,859	0.044	0.447	-0.019	0.009	0.057
AnnReturn_1d	3,859	0.034	0.444	-0.011	0.006	0.038
BHAR_1yr	3,853	0.055	0.847	-0.248	-0.054	0.174
BHAR_2yr	3,853	0.043	1.162	-0.344	-0.085	0.240
BHAR_3yr	3,853	0.063	1.352	-0.410	-0.093	0.272
ROA_1yr	3,401	0.031	0.099	0.018	0.042	0.072
ROA_2yr	3,401	0.032	0.085	0.010	0.040	0.069
ROA_3yr	3,401	0.030	0.081	0.007	0.038	0.067
ROE_1yr	3,342	-0.011	0.355	0.012	0.053	0.104
ROE_2yr	3,362	-0.014	0.342	-0.001	0.052	0.102
ROE_3yr	3,374	-0.032	0.400	-0.015	0.048	0.098
Market-to-Book	3,859	2.751	3.333	1.017	1.805	3.107
Accruals	3,859	-0.103	0.348	-0.138	-0.039	0.030
Acquirer Cash	3,859	0.139	0.112	0.061	0.110	0.185
NOA	3,859	21.061	1.317	20.208	20.942	21.847
PreAnnReturns	3,859	0.148	0.580	-0.214	-0.008	0.318
Leverage	3,859	0.469	0.213	0.308	0.465	0.617
Total_Buyratio	3,859	0.175	0.174	0.054	0.112	0.240
Post_TOP_1yr	3,330	0.492	0.147	0.385	0.488	0.589
ΔTop5_1yr	3,046	-0.038	0.092	-0.094	-0.034	0.004

Table 2

Post-Acquisition Abnormal Returns: A-Share v.s. H-Share Listed Firms

This table reports the ordinary least squares (OLS) regression results for the abnormal announcement period returns and BHARs (buy-and-hold abnormal returns) of A-share listed firms compared to Hong Kong-listed firms after acquisition. In Panel A, the dependent variables are the one-day and three-day cumulative abnormal returns of the acquiring firms. In Panel B, the dependent variables are the 12-, 24-, and 36-month BHARs of acquiring firms after the acquisition announcement. *A_Share Listed* is a dummy variable that equals one if the firm is listed in Shanghai or Shenzhen stock exchanges in mainland China, and zero otherwise. *HK Listed Chinese* is a dummy variable that equals one if the firm is registered in mainland China and listed in Hong Kong. All specifications include the merger type, year, and industry fixed effects. We control for other M&A deal characteristics and acquiring firm characteristics at the fiscal year-end prior to the deal announcement. Numbers in parentheses are t-statistics estimated from standard errors adjusted for heteroskedasticity. Standard errors are clustered by industry. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

Panel A. Abnormal Announcement Returns

	(1)	(2)	(3)	(4)
	AnnReturn_1d	AnnReturn_3d	AnnReturn_1d	AnnReturn_3d
A_Share Listed	0.007***	0.016***	0.011***	0.025***
	(3.105)	(4.329)	(3.490)	(4.289)
HK_Listed_Chinese			0.009**	0.023***
			(2.416)	(2.797)
Market-to-Book	-0.001**	-0.002***	-0.001**	-0.002***
	(-2.321)	(-3.023)	(-2.419)	(-3.221)
Accruals	0.003	0.002	0.003	0.003
	(0.892)	(0.489)	(0.915)	(0.524)
Acquirer Cash	-0.004	-0.009	-0.004	-0.010
	(-0.402)	(-0.699)	(-0.426)	(-0.739)
NOA	-0.002***	-0.004***	-0.002***	-0.004***
	(-3.138)	(-3.640)	(-3.274)	(-3.896)
PreAnnReturn	-0.009***	-0.019***	-0.009***	-0.019***
	(-6.179)	(-8.699)	(-6.207)	(-8.683)
Leverage	0.011***	0.025***	0.011***	0.025***
	(2.834)	(3.991)	(2.751)	(3.874)
Relative_Size	0.014***	0.030***	0.014***	0.030***
	(10.188)	(10.629)	(10.431)	(10.934)
Related Deal	0.003**	0.008***	0.003**	0.008***
	(2.545)	(3.522)	(2.545)	(3.523)
Serial_3yr	-0.002	-0.006**	-0.002	-0.006**
	(-1.381)	(-2.383)	(-1.378)	(-2.360)
Merger Type FE	Yes	Yes	Yes	Yes
Year and Ind FE	Yes	Yes	Yes	Yes
N	5,283	5,283	5,283	5,283
Adj. R^2	0.096	0.130	0.096	0.131

Panel B. BHARs

	(1)	(2)	(3)	(4)	(5)	(6)
	BHAR 1yr	BHAR 2yr	BHAR 3yr	BHAR 1yr	BHAR 2yr	BHAR 3yr
A_Share Listed	0.124***	0.187***	0.278***	0.195***	0.249***	0.332***
	(3.973)	(3.469)	(4.234)	(3.748)	(3.159)	(3.234)
HK_Listed_Chinese				0.188**	0.169	0.149
				(2.123)	(1.361)	(1.043)
Market-to-Book	-0.013***	-0.018***	-0.019***	-0.013***	-0.018***	-0.019***
	(-3.640)	(-3.310)	(-2.805)	(-3.771)	(-3.412)	(-2.935)
Accruals	0.055*	0.092**	0.136***	0.055*	0.092**	0.136***
	(1.950)	(2.275)	(3.068)	(1.979)	(2.274)	(3.072)
Acquirer Cash	0.035	-0.011	0.117	0.029	-0.016	0.113
	(0.620)	(-0.093)	(0.816)	(0.521)	(-0.141)	(0.799)
NOA	-0.025***	-0.036***	-0.028**	-0.027***	-0.038***	-0.029**
	(-3.436)	(-2.811)	(-2.066)	(-3.710)	(-2.876)	(-2.176)
PreAnnReturn	-0.039**	-0.117***	-0.148***	-0.040**	-0.118***	-0.149***
	(-2.627)	(-6.114)	(-6.218)	(-2.725)	(-6.165)	(-6.216)

Leverage	0.128***	0.051	-0.010	0.124***	0.048	-0.013
	(2.857)	(0.726)	(-0.130)	(2.758)	(0.682)	(-0.172)
Relative_Size	0.097***	0.084***	0.069***	0.100***	0.086***	0.071***
	(5.293)	(3.846)	(2.758)	(5.657)	(4.075)	(2.857)
Related Deal	0.029	0.023	0.010	0.029	0.023	0.010
	(1.499)	(0.882)	(0.303)	(1.485)	(0.881)	(0.300)
Serial_3yr	-0.017	-0.033	-0.052*	-0.017	-0.033	-0.051*
	(-0.829)	(-1.262)	(-2.026)	(-0.798)	(-1.246)	(-2.010)
Merger Type FE	Yes	Yes	Yes	Yes	Yes	Yes
Year and Ind FE	Yes	Yes	Yes	Yes	Yes	Yes
N	4,368	4,448	4,382	4,368	4,448	4,382
Adj. R^2	0.123	0.151	0.142	0.125	0.152	0.142

Table 3

Post-Acquisition Operating Performance: A Share v.s. HK-Share Listed Firms

This table reports the ordinary least squares (OLS) regression results for the three-year post-acquisition operating performance of A-share listed firms compared to Hong Kong-listed firms. The dependent variable is the average ROA of acquiring firms in the first, first two and first three years after the acquisition completion. *A_Share Listed* is a dummy variable that equals one if the firm is listed in Shanghai or Shenzhen stock exchanges in mainland China, and zero otherwise. *HK Listed Chinese* is a dummy variable that equals one if the firm is registered in mainland China and listed in Hong Kong. All specifications include the merger type, year, and industry fixed effects. We control for other M&A deal characteristics and acquiring firm characteristics at the fiscal year-end prior to the deal announcement. Numbers in parentheses are t-statistics estimated from standard errors adjusted for heteroskedasticity. Standard errors are clustered by industry. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
	ROA 1yr	ROA 2yr	ROA 3yr	ROA 1yr	ROA 2yr	ROA 3yr
A_Share Listed	0.031***	0.041***	0.037***	0.044***	0.052***	0.043***
	(4.055)	(5.866)	(5.417)	(3.657)	(3.874)	(3.559)
HK_Listed_Chinese				0.035**	0.030	0.018
				(2.154)	(1.411)	(0.944)
Market-to-Book	0.001	0.001	-0.001	0.001	0.001	-0.001
	(0.282)	(0.495)	(-0.198)	(0.260)	(0.479)	(-0.215)
Accruals	-0.027***	-0.040***	-0.042***	-0.027***	-0.039***	-0.041***
	(-3.051)	(-3.941)	(-4.308)	(-3.051)	(-3.993)	(-4.305)
Acquirer Cash	0.046***	0.074***	0.072***	0.046***	0.074***	0.071***
	(3.245)	(4.824)	(4.524)	(3.237)	(4.853)	(4.565)
NOA	0.006***	0.008***	0.009***	0.006***	0.008***	0.009***
	(4.292)	(6.131)	(7.635)	(4.325)	(6.163)	(7.524)
PreAnnReturn	0.002	-0.000	-0.004	0.002	-0.000	-0.004
	(0.798)	(-0.080)	(-1.587)	(0.737)	(-0.136)	(-1.620)
Leverage	-0.007	0.001	-0.006	-0.008	0.000	-0.007
	(-0.931)	(0.132)	(-0.963)	(-1.088)	(0.008)	(-1.088)
Relative_Size	0.004	0.002	-0.005	0.005	0.002	-0.005
	(1.478)	(0.479)	(-1.184)	(1.647)	(0.581)	(-1.161)
Related Deal	0.003*	-0.001	0.003	0.003*	-0.001	0.003
	(1.765)	(-0.668)	(1.475)	(1.743)	(-0.653)	(1.471)
Serial_3yr	-0.004	-0.006**	-0.006**	-0.004	-0.006**	-0.006**
	(-1.376)	(-2.447)	(-2.454)	(-1.316)	(-2.393)	(-2.420)
Pre_ROA_1yr	0.374***	0.400***	0.397***	0.366***	0.393***	0.393***
	(9.125)	(9.333)	(9.349)	(9.295)	(9.766)	(9.659)
Merger Type FE	Yes	Yes	Yes	Yes	Yes	Yes
Year and Ind FE	Yes	Yes	Yes	Yes	Yes	Yes
N	4,202	4,204	4,204	4,202	4,204	4,204
Adj. R^2	0.163	0.195	0.213	0.166	0.197	0.214

Table 4

Post-Acquisition Performance: Acquirers with Completed v.s. Withdrawn Acquisitions

This table reports OLS regression results comparing the post-acquisition market performance (BHAR) and operating performance (ROA) between firms that successfully completed an acquisition and those whose announced acquisitions were ultimately withdrawn. *Success Deal* is a dummy variable that equals one if the firm successfully completes the announced acquisition, and zero if the announced acquisition is withdrawn and the firm do not complete any other acquisitions during the three years surrounding the announcement. In columns (1)-(3), the dependent variables are the 12-, 24-, and 36-month BHARs of acquiring firms after the acquisition announcement. In columns (4)-(6), the dependent variables are the average ROA of acquiring firms in the first, first two and first three years after the acquisition completion. All specifications include the merger type, year, and industry fixed effects. We control for other M&A deal characteristics and acquiring firm characteristics at the fiscal year-end prior to the deal announcement. Numbers in parentheses are t-statistics estimated from standard errors adjusted for heteroskedasticity. Standard errors are clustered by industry. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
	BHAR 1yr	BHAR 2yr	BHAR 3yr	ROA_1yr	ROA_2yr	ROA_3yr
Success Deal	0.151***	0.221***	0.204***	0.023***	0.018***	0.011***
	(5.841)	(6.876)	(6.085)	(6.086)	(5.695)	(4.073)
PPE	0.054***	0.062**	0.053**	0.004	0.004	0.003
	(2.807)	(2.506)	(2.029)	(1.520)	(1.512)	(0.978)
SOE	-0.030*	-0.056*	-0.060**	0.010**	0.017***	0.020***
	(-1.846)	(-1.936)	(-2.158)	(2.624)	(4.183)	(4.901)
Market-to-Book	-0.022***	-0.031***	-0.041***	-0.001	-0.001	-0.002*
	(-4.808)	(-5.405)	(-7.326)	(-0.599)	(-1.159)	(-1.815)
Accruals	-0.035	-0.019	0.031	-0.040***	-0.046***	-0.052***
	(-1.502)	(-0.450)	(0.571)	(-4.379)	(-4.527)	(-5.313)
Acquirer Cash	-0.012	-0.063	-0.018	0.023	0.033**	0.027*
	(-0.144)	(-0.465)	(-0.125)	(1.541)	(2.264)	(1.716)
NOA	-0.046***	-0.072***	-0.080***	0.000	-0.000	0.001
	(-4.106)	(-4.474)	(-5.517)	(0.082)	(-0.126)	(0.605)
PreAnnReturn	-0.074***	-0.150***	-0.184***	0.003	0.000	-0.003*
	(-5.058)	(-9.251)	(-10.097)	(1.250)	(0.047)	(-1.728)
Leverage	0.183***	0.142*	0.086	-0.012	-0.005	-0.011
	(3.976)	(1.758)	(1.031)	(-1.165)	(-0.379)	(-0.965)
Relative_Size	0.093***	0.088***	0.076***	0.003*	0.000	-0.003
	(5.563)	(4.212)	(3.085)	(1.727)	(0.011)	(-1.391)
Related Deal	0.005	-0.007	-0.003	-0.001	-0.004	-0.001
	(0.277)	(-0.312)	(-0.099)	(-0.410)	(-1.673)	(-0.552)
Pre_ROA_1yr				0.396***	0.441***	0.443***
				(12.236)	(14.382)	(14.121)
Merger Type FE	Yes	Yes	Yes	Yes	Yes	Yes
Year and Ind FE	Yes	Yes	Yes	Yes	Yes	Yes
N	4670	4782	4746	4570	4571	4571
Adj. R^2	0.155	0.191	0.175	0.138	0.165	0.182

Table 5
Post-Acquisition Performance: Related and Non-Related Party acquisitions in A-Share Firms v.s. HK-Share Listed Firms

This table reports OLS regression results comparing post-acquisition market performance (BHAR) and operating performance (ROA) of A-share listed firms relative to Hong Kong-listed firms, distinguishing between related party transactions and non-related party transactions. *A_Share_RPT* is a dummy variable that equals one if the acquirer is an A-share listed firm and the deal is a related party transaction, and zero otherwise. *A_Share_Non-RPT* is a dummy variable equal to one if the acquirer is an A-share listed firm and the deal is a non-related party transaction, and zero otherwise. *HK Listed Chinese* is a dummy variable that equals one if the firm is registered in mainland China and listed in Hong Kong. In columns (1)-(3), the dependent variables are the 12-, 24-, and 36-month BHARs of acquiring firms after the acquisition announcement. In columns (4)-(6), the dependent variables are the average ROA of acquiring firms in the first, first two and first three years after the acquisition completion. All specifications include the merger type, year, and industry fixed effects. We control for other M&A deal characteristics and acquiring firm characteristics at the fiscal year-end prior to the deal announcement. Numbers in parentheses are t-statistics estimated from standard errors adjusted for heteroskedasticity. Standard errors are clustered by industry. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
	BHAR 1yr	BHAR 2yr	BHAR 3yr	ROA_1yr	ROA_2yr	ROA_3yr
A_Share_RPT	0.109	0.000	0.122	0.019	0.023	0.022
	(1.352)	(0.003)	(0.743)	(1.019)	(1.144)	(1.147)
A_Share_Non-RPT	0.216***	0.271***	0.383***	0.053***	0.062***	0.053***
	(3.668)	(3.289)	(3.777)	(4.244)	(4.681)	(4.294)
HK_Listed_Chinese	0.190**	0.174	0.155	0.036**	0.031	0.019
	(2.098)	(1.342)	(1.061)	(2.189)	(1.461)	(0.995)
Market-to-Book	-0.013***	-0.019***	-0.019***	0.000	0.000	-0.000
	(-4.029)	(-3.802)	(-2.940)	(0.459)	(0.433)	(-0.165)
Accruals	0.052*	0.088**	0.130***	-0.025***	-0.039***	-0.040***
	(1.946)	(2.260)	(2.942)	(-2.904)	(-3.841)	(-4.252)
Acquirer Cash	0.019	-0.046	0.059	0.046***	0.073***	0.070***
	(0.371)	(-0.426)	(0.434)	(3.260)	(4.697)	(4.448)
NOA	-0.028***	-0.040***	-0.031**	0.006***	0.008***	0.009***
	(-4.121)	(-3.034)	(-2.283)	(4.406)	(6.356)	(7.759)
PreAnnReturn	-0.043***	-0.121***	-0.152***	0.001	-0.001	-0.005
	(-3.134)	(-6.401)	(-6.440)	(0.358)	(-0.292)	(-1.626)
Leverage	0.125***	0.050	-0.022	-0.009	-0.004	-0.009
	(2.903)	(0.720)	(-0.289)	(-1.233)	(-0.424)	(-1.317)
Relative_Size	0.098***	0.084***	0.069***	0.004	0.001	-0.005
	(5.582)	(4.012)	(2.786)	(1.445)	(0.332)	(-1.110)
Related Deal	0.131	0.285*	0.256*	0.037**	0.036**	0.033*
	(1.490)	(1.928)	(1.740)	(2.213)	(2.161)	(1.885)
Serial_3yr	-0.012	-0.030	-0.046*	-0.003	-0.005**	-0.006**
	(-0.599)	(-1.116)	(-1.726)	(-1.194)	(-2.112)	(-2.136)
Pre_ROA_1yr				0.357***	0.384***	0.386***
				(9.289)	(9.728)	(9.722)
Merger Type FE	Yes	Yes	Yes	Yes	Yes	Yes
Year and Ind FE	Yes	Yes	Yes	Yes	Yes	Yes
N	4399	4476	4414	4231	4233	4233
Adj. R^2	0.123	0.153	0.146	0.166	0.198	0.216

Table 6
Post-Acquisition Performance: SOE vs. Non-SOE Acquirers in the A-Share Market Compared to Hong Kong Listed Firms

This table reports OLS regression results comparing post-acquisition market performance (BHAR) and operating performance (ROA) among A-share state-owned enterprises (SOEs), A-share non-SOEs, and Hong Kong-listed Chinese firms. *A_Share_SOE* is a dummy variable that equals one if the acquirer is an A-share listed state-owned enterprise, and zero otherwise. *A_Share_Non-SOE* is a dummy variable that equals one if the acquirer is an A-share listed non-state-owned enterprise, and zero otherwise. *HK Listed Chinese* is a dummy variable that equals one if the firm is registered in mainland China and listed in Hong Kong. In columns (1)-(3), the dependent variables are the 12-, 24-, and 36-month BHARs of acquiring firms after the acquisition announcement. In columns (4)-(6), the dependent variables are the average ROA of acquiring firms in the first, first two and first three years after the acquisition completion. All specifications include the merger type, year, and industry fixed effects. We control for other M&A deal characteristics and acquiring firm characteristics at the fiscal year-end prior to the deal announcement. Numbers in parentheses are t-statistics estimated from standard errors adjusted for heteroskedasticity. Standard errors are clustered by industry. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
	BHAR 1yr	BHAR 2yr	BHAR 3yr	ROA_1yr	ROA_2yr	ROA_3yr
A_Share_SOE	0.156***	0.144*	0.247**	0.048***	0.059***	0.054***
	(2.835)	(1.846)	(2.526)	(3.968)	(4.403)	(4.278)
A_Share_Non-SOE	0.218***	0.266***	0.390***	0.046***	0.052***	0.043***
	(4.207)	(3.669)	(3.994)	(3.705)	(3.724)	(3.439)
HK_Listed_Chinese	0.186**	0.164	0.146	0.035**	0.031	0.019
	(2.088)	(1.313)	(1.021)	(2.174)	(1.437)	(0.977)
Market-to-Book	-0.013***	-0.019***	-0.019***	0.000	0.000	-0.000
	(-4.114)	(-3.969)	(-3.039)	(0.365)	(0.283)	(-0.268)
Accruals	0.049*	0.082**	0.122***	-0.026***	-0.039***	-0.041***
	(1.848)	(2.106)	(2.799)	(-2.982)	(-3.899)	(-4.274)
Acquirer Cash	0.041	-0.002	0.107	0.045***	0.070***	0.066***
	(0.764)	(-0.016)	(0.780)	(3.246)	(4.625)	(4.220)
NOA	-0.025***	-0.033**	-0.023*	0.006***	0.008***	0.008***
	(-3.508)	(-2.452)	(-1.770)	(3.876)	(5.326)	(6.678)
PreAnnReturn	-0.045***	-0.125***	-0.157***	0.001	-0.000	-0.004
	(-3.269)	(-6.437)	(-6.544)	(0.467)	(-0.095)	(-1.387)
Leverage	0.153***	0.105	0.040	-0.009	-0.005	-0.012
	(3.344)	(1.379)	(0.499)	(-1.213)	(-0.602)	(-1.656)
Relative_Size	0.099***	0.085***	0.070***	0.004	0.001	-0.005
	(5.591)	(4.011)	(2.799)	(1.420)	(0.300)	(-1.147)
Related Deal	0.037*	0.043*	0.027	0.004*	-0.002	0.002
	(1.927)	(1.849)	(0.841)	(1.695)	(-0.676)	(0.642)
Serial_3yr	-0.018	-0.043	-0.060**	-0.003	-0.005*	-0.005*
	(-0.892)	(-1.597)	(-2.254)	(-1.155)	(-1.883)	(-1.824)
Pre_ROA_1yr				0.363***	0.392***	0.395***
				(9.435)	(10.037)	(9.961)
Merger Type FE	Yes	Yes	Yes	Yes	Yes	Yes
Year and Ind FE	Yes	Yes	Yes	Yes	Yes	Yes
N	4399	4476	4414	4231	4233	4233
Adj. R^2	0.125	0.156	0.148	0.165	0.197	0.216

Table 7

Short-Run and Long-Run Abnormal Returns of Private Placements Acquisitions

This table reports the ordinary least squares (OLS) regression results for the abnormal announcement period returns and BHARs (buy-and-hold abnormal returns) of A-share listed firms that carry out acquisitions via private placement of equity. The explanatory variable of interest is *PPE*, an indicator taking the value of one if the acquisition is paid for with private placement of equity (including both all-stock and mixed stock-cash payments), and zero otherwise. The dependent variables in columns (1) and (2) are the one-day and three-day cumulative abnormal returns of the acquiring firms. The dependent variables in columns (3) - (5) are the 12-, 24-, and 36-month BHARs of acquiring firms after the acquisition announcement. All specifications include the merger type, year, and industry fixed effects. We control for other M&A deal characteristics and acquiring firm characteristics at the fiscal year-end prior to the deal announcement. Numbers in parentheses are t-statistics estimated from standard errors adjusted for heteroskedasticity. Standard errors are clustered by industry. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)	(5)
	AnnReturn_1d	AnnReturn_3d	BHAR 1yr	BHAR 2yr	BHAR 3yr
PPE	0.016***	0.034***	0.063**	0.092**	0.064
	(5.261)	(6.236)	(2.518)	(2.323)	(1.660)
SOE	0.002	0.000	-0.046**	-0.082**	-0.091***
	(1.032)	(0.048)	(-2.432)	(-2.503)	(-2.922)
Market-to-Book	-0.002***	-0.003***	-0.022***	-0.034***	-0.043***
	(-3.308)	(-4.134)	(-4.470)	(-5.162)	(-6.046)
Accruals	0.003	0.002	-0.032	0.007	0.043
	(0.869)	(0.345)	(-1.224)	(0.128)	(0.600)
Acquirer Cash	-0.008	-0.015	-0.030	-0.124	-0.043
	(-0.836)	(-0.855)	(-0.370)	(-0.992)	(-0.323)
NOA	-0.004***	-0.008***	-0.043***	-0.073***	-0.077***
	(-4.788)	(-6.340)	(-3.437)	(-3.715)	(-4.652)
PreAnnReturn	-0.010***	-0.023***	-0.069***	-0.152***	-0.190***
	(-7.083)	(-10.035)	(-4.068)	(-9.049)	(-10.426)
Leverage	0.014**	0.035***	0.191***	0.167**	0.100
	(2.667)	(3.689)	(3.559)	(2.085)	(1.109)
Relative_Size	0.012***	0.028***	0.127***	0.116***	0.102***
	(5.721)	(7.990)	(6.347)	(3.916)	(3.514)
Related Deal	-0.002	-0.002	0.011	0.003	0.002
	(-1.085)	(-0.672)	(0.578)	(0.128)	(0.075)
Serial_3yr	-0.001	-0.004	-0.020	-0.044**	-0.071***
	(-0.279)	(-1.190)	(-1.308)	(-2.188)	(-3.043)
Perf_Commit	0.003	0.004	-0.006	-0.038	-0.038
	(1.518)	(1.092)	(-0.354)	(-1.177)	(-1.118)
Merger Type FE	Yes	Yes	Yes	Yes	Yes
Year and Ind FE	Yes	Yes	Yes	Yes	Yes
N	4,858	4,858	3,983	4,076	4,031
Adj. R^2	0.118	0.166	0.150	0.181	0.168

Table 8

Post-Acquisition Operating Performance of Private Placement Acquisitions

This table reports the ordinary least squares (OLS) regression results for the three-year post-acquisition ROA and ROE of A-share listed firms that carry out acquisitions via private placement of equity. The explanatory variable of interest is *PPE*, an indicator taking the value of one if the acquisition is paid for with private placement of equity (including both all-stock and mixed stock-cash payments), and zero otherwise. The dependent variables in columns (1) - (3) are the average ROA of acquiring firms in the first, first two and first three years after the acquisition completion. The dependent variables in columns (4) - (5) are the average ROE in the first, first two and first three years after the acquisition completion. All specifications include the merger type, year, and industry fixed effects. We control for other M&A deal characteristics and acquiring firm characteristics at the fiscal year-end prior to the deal announcement. Numbers in parentheses are t-statistics estimated from standard errors adjusted for heteroskedasticity. Standard errors are clustered by industry. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
	ROA_1yr	ROA_2yr	ROA_3yr	ROE_1yr	ROE_2yr	ROE_3yr
PPE	0.006	0.007**	0.008**	0.013	0.019***	0.034**
	(1.652)	(2.243)	(2.132)	(1.606)	(3.175)	(2.478)
SOE	0.006	0.011***	0.015***	0.022***	0.040***	0.063***
	(1.639)	(3.055)	(4.145)	(2.745)	(4.352)	(4.273)
Market-to-Book	0.001	0.001	-0.001	0.002	0.002	-0.001
	(0.413)	(0.045)	(-0.650)	(0.659)	(0.696)	(-0.199)
Accruals	-0.047***	-0.055***	-0.057***	-0.088***	-0.136***	-0.188***
	(-5.048)	(-4.550)	(-4.469)	(-3.725)	(-3.475)	(-2.975)
Acquirer Cash	0.018	0.038***	0.034**	0.076**	0.143***	0.193***
	(1.447)	(2.745)	(2.138)	(2.681)	(4.263)	(3.909)
NOA	0.001	0.001	0.002**	0.004	0.004	0.009*
	(0.746)	(0.962)	(2.144)	(1.678)	(1.198)	(1.788)
PreAnnReturn	-0.000	-0.003	-0.006***	-0.004	-0.013**	-0.037***
	(-0.048)	(-1.509)	(-2.812)	(-0.833)	(-2.585)	(-4.316)
Leverage	-0.012	-0.007	-0.018	-0.038**	-0.034	-0.081*
	(-1.180)	(-0.612)	(-1.617)	(-2.018)	(-1.153)	(-2.005)
Relative_Size	0.003	-0.001	-0.008**	0.002	-0.009	-0.041***
	(1.130)	(-0.371)	(-2.447)	(0.434)	(-1.321)	(-3.846)
Related Deal	0.000	-0.004	-0.001	-0.001	-0.014*	0.004
	(0.110)	(-1.476)	(-0.211)	(-0.171)	(-1.876)	(0.383)
Serial_3yr	-0.004*	-0.007***	-0.007***	-0.011*	-0.019***	-0.027***
	(-1.959)	(-2.721)	(-3.432)	(-2.007)	(-3.032)	(-2.855)
Perf_Commit	-0.002	-0.006***	-0.010***	-0.006	-0.019***	-0.027**
	(-0.694)	(-2.728)	(-4.347)	(-0.829)	(-2.838)	(-2.370)
Pre_ROA_1yr	0.401***	0.415***	0.413***			
	(10.889)	(10.928)	(10.334)			
Pre_ROE_1yr				0.360***	0.412***	0.471***
				(8.649)	(7.241)	(6.074)
Merger Type FE	Yes	Yes	Yes	Yes	Yes	Yes
Year and Ind FE	Yes	Yes	Yes	Yes	Yes	Yes
N	3,847	3,848	3,848	3,827	3,832	3,832
Adj. R^2	0.129	0.151	0.175	0.088	0.110	0.100

Table 9
Pricing Mechanism of Private Placement Acquisitions

This table reports the ordinary least squares (OLS) regression results for analyzing the effect of the pricing mechanism of private placements on the post-acquisition operating performance of acquirers in the A-share market. *Negotiated_Pricing* is a dummy variable that equals one if a acquirer carry out a acquisition via private placement of equity (PPE) with a negotiated pricing, and zero if the PPE is based on a auction procedure. The dependent variables in columns (1) - (3) are the average ROA of acquiring firms in the first, first two and first three years after the acquisition completion. The dependent variables in columns (4) - (5) are the average ROE in the first, first two and first three years after the acquisition completion. All specifications include the merger type, year, and industry fixed effects. We control for other M&A deal characteristics and acquiring firm characteristics at the fiscal year-end prior to the deal announcement. Numbers in parentheses are t-statistics estimated from standard errors adjusted for heteroskedasticity. Standard errors are clustered by industry. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
	ROA_1yr	ROA_2yr	ROA_3yr	ROE_1yr	ROE_2yr	ROE_3yr
Negotiated_Pricing	-0.012**	0.002	0.004	-0.029***	0.001	0.004
	(-2.559)	(0.501)	(0.886)	(-2.799)	(0.025)	(0.211)
SOE	0.001	0.008	0.016**	0.009	0.029*	0.034
	(0.314)	(1.333)	(2.584)	(0.805)	(1.731)	(1.294)
Market-to-Book	0.002	0.003**	0.001	0.005**	0.010***	0.010**
	(1.469)	(2.041)	(0.940)	(2.430)	(3.287)	(2.378)
Accruals	-0.024*	-0.049**	-0.048**	-0.019	-0.078*	-0.072
	(-1.879)	(-2.631)	(-2.222)	(-0.607)	(-1.705)	(-1.250)
Acquirer Cash	-0.001	0.018	0.031	0.034	0.080	0.185
	(-0.035)	(0.424)	(0.612)	(0.438)	(0.777)	(1.397)
NOA	-0.001	0.001	0.006**	0.001	0.006	0.010
	(-0.262)	(0.398)	(2.152)	(0.171)	(0.712)	(1.003)
PreAnnReturn	-0.005	-0.006	-0.012***	-0.016**	-0.026*	-0.058***
	(-1.639)	(-1.485)	(-3.357)	(-2.023)	(-1.924)	(-2.969)
Leverage	-0.040***	-0.043**	-0.060***	-0.069**	-0.113**	-0.160*
	(-3.093)	(-2.460)	(-2.938)	(-2.254)	(-2.605)	(-1.850)
Relative_Size	-0.001	-0.005	-0.009*	-0.005	-0.019**	-0.048**
	(-0.280)	(-1.243)	(-1.819)	(-0.804)	(-2.028)	(-2.503)
Related Deal	0.010	0.003	0.011*	0.023	0.004	0.036*
	(1.532)	(0.661)	(1.967)	(1.678)	(0.324)	(1.860)
Serial_3yr	-0.014***	-0.022***	-0.019***	-0.031***	-0.053**	-0.075**
	(-3.327)	(-3.123)	(-3.859)	(-3.073)	(-2.544)	(-2.630)
Perf_Commit	0.002	-0.001	-0.006	0.001	-0.005	-0.022
	(0.497)	(-0.274)	(-0.926)	(0.077)	(-0.341)	(-0.812)
Pre_ROA_1yr	0.283***	0.346***	0.346***			
	(6.284)	(4.970)	(4.964)			
Pre_ROE_1yr				0.219***	0.325***	0.308***
				(4.163)	(3.293)	(3.055)
Merger Type FE	Yes	Yes	Yes	Yes	Yes	Yes
Year and Ind FE	Yes	Yes	Yes	Yes	Yes	Yes
N	926	927	927	922	922	922
Adj. R^2	0.097	0.126	0.153	0.067	0.088	0.091

Table 10

The Impact of Lock-up Period on Post-Acquisition Performance of Private Placement Acquisitions

This table reports OLS regression results analyzing how the 2020 reform shortening the lock-up period of private placements affects the post-acquisition market and operating performance of acquisitions financed by private placements. *Post_Lockup_Reform* is a dummy variable that equals one if the acquisition is announced after the 2020 lock-up period reform, and zero otherwise. The variable *PPE×Post_Lockup_Reform* is an interaction term between the private placement dummy and the lock-up period reform dummy. Panel A reports result for market performance, measured by announcement returns (AnnReturn) over one-day, three-day event windows and buy-and-hold abnormal returns (BHAR) over 12, 24, and 36 months after the acquisition announcement. Panel B reports result for operating performance, measured by average ROA and ROE in the first, first two and first three years after the acquisition completion. All specifications include the merger type, year, and industry fixed effects. We control for other M&A deal characteristics and acquiring firm characteristics at the fiscal year-end prior to the deal announcement. Numbers in parentheses are t-statistics estimated from standard errors adjusted for heteroskedasticity. Standard errors are clustered by industry. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

Panel A. Market Performance (Announcement Returns and BHAR)

	(1)	(2)	(3)	(4)	(5)
	AnnReturn_1d	AnnReturn_3d	BHAR 1yr	BHAR 2yr	BHAR 3yr
PPE	0.016***	0.034***	0.075***	0.096**	0.070*
	(4.582)	(5.564)	(2.990)	(2.262)	(1.735)
PPE×Post_Lockup_Reform	0.001	0.001	-0.135***	-0.089	-0.034
	(0.051)	(0.032)	(-3.013)	(-1.189)	(-0.296)
SOE	0.002	-0.000	-0.041**	-0.087***	-0.099***
	(1.019)	(-0.116)	(-2.189)	(-2.845)	(-3.266)
Market-to-Book	-0.002***	-0.003***	-0.022***	-0.035***	-0.042***
	(-3.280)	(-4.100)	(-4.388)	(-4.999)	(-5.908)
Accruals	0.002	0.001	-0.036	0.001	0.041
	(0.578)	(0.159)	(-1.364)	(0.022)	(0.594)
Acquirer Cash	-0.008	-0.014	-0.030	-0.126	-0.060
	(-0.784)	(-0.774)	(-0.360)	(-0.948)	(-0.446)
NOA	-0.004***	-0.008***	-0.044***	-0.075***	-0.078***
	(-4.921)	(-6.460)	(-3.549)	(-3.683)	(-4.621)
PreAnnReturn	-0.011***	-0.023***	-0.067***	-0.152***	-0.191***
	(-7.187)	(-10.119)	(-3.921)	(-8.976)	(-10.291)
Leverage	0.014**	0.034***	0.185***	0.172**	0.096
	(2.504)	(3.652)	(3.596)	(2.078)	(1.078)
Relative_Size	0.011***	0.025***	0.118***	0.110***	0.096***
	(5.575)	(7.837)	(6.095)	(3.722)	(3.310)
Related Deal	-0.001	-0.000	0.013	0.012	0.007
	(-0.726)	(-0.180)	(0.686)	(0.467)	(0.234)
Serial_3yr	-0.000	-0.004	-0.018	-0.045**	-0.067***
	(-0.292)	(-1.209)	(-1.095)	(-2.076)	(-2.697)
Perf_Commit	0.003	0.004	-0.001	-0.034	-0.030
	(1.398)	(1.027)	(-0.075)	(-1.025)	(-0.871)
Merger Type FE	Yes	Yes	Yes	Yes	Yes
Year and Ind FE	Yes	Yes	Yes	Yes	Yes
N	4890	4890	4007	4099	4055
Adj. R^2	0.116	0.165	0.149	0.176	0.164

Panel B: Operating Performance

	(1) ROA_1yr	(2) ROA_2yr	(3) ROA_3yr	(4) ROE_1yr	(5) ROE_2yr	(6) ROE_3yr
PPE	0.006*	0.007**	0.008**	0.013	0.018***	0.035**
	(1.708)	(2.256)	(2.198)	(1.557)	(2.828)	(2.444)
PPE×Post_Lockup_Reform	-0.001	-0.003	-0.003	-0.038	-0.045	-0.070
	(-0.061)	(-0.193)	(-0.132)	(-0.942)	(-1.037)	(-1.430)
SOE	0.006*	0.011***	0.015***	0.021**	0.041***	0.063***
	(1.726)	(3.257)	(4.306)	(2.614)	(4.405)	(4.127)
Market-to-Book	0.000	0.000	-0.000	0.002	0.002	-0.000
	(0.510)	(0.110)	(-0.564)	(0.762)	(0.783)	(-0.110)
Accruals	-0.048***	-0.056***	-0.057***	-0.090***	-0.138***	-0.188***
	(-5.199)	(-4.762)	(-4.653)	(-3.905)	(-3.666)	(-3.068)
Acquirer Cash	0.018	0.036***	0.032**	0.075***	0.139***	0.189***
	(1.480)	(2.739)	(2.138)	(2.802)	(4.370)	(4.045)
NOA	0.001	0.001	0.003**	0.005*	0.005	0.010*
	(0.929)	(1.055)	(2.284)	(1.864)	(1.340)	(1.915)
PreAnnReturn	-0.000	-0.003	-0.006***	-0.005	-0.013***	-0.038***
	(-0.129)	(-1.557)	(-2.890)	(-0.977)	(-2.746)	(-4.471)
Leverage	-0.013	-0.008	-0.018	-0.040**	-0.035	-0.080*
	(-1.311)	(-0.705)	(-1.653)	(-2.088)	(-1.198)	(-1.969)
Relative_Size	0.003	-0.001	-0.008**	0.003	-0.008	-0.039***
	(1.170)	(-0.403)	(-2.538)	(0.506)	(-1.311)	(-3.775)
Related Deal	-0.000	-0.004	-0.001	-0.002	-0.015*	0.001
	(-0.088)	(-1.482)	(-0.475)	(-0.317)	(-1.977)	(0.080)
Serial_3yr	-0.004*	-0.006**	-0.007***	-0.010*	-0.018***	-0.027***
	(-1.731)	(-2.495)	(-3.202)	(-1.825)	(-2.866)	(-2.805)
Perf_Commit	-0.002	-0.005**	-0.009***	-0.005	-0.018**	-0.027**
	(-0.500)	(-2.465)	(-4.032)	(-0.686)	(-2.675)	(-2.306)
Pre_ROA_1yr	0.400***	0.416***	0.413***			
	(10.911)	(11.078)	(10.279)			
Pre_ROE_1yr				0.358***	0.414***	0.474***
				(8.541)	(7.280)	(6.166)
Merger Type FE	Yes	Yes	Yes	Yes	Yes	Yes
Year and Ind FE	Yes	Yes	Yes	Yes	Yes	Yes
N	3869	3870	3870	3849	3854	3854
Adj. R^2	0.129	0.153	0.176	0.088	0.111	0.099

Table 11
Ownership Structure and Post-Private Placement M&A Performance

This table reports the ordinary least squares (OLS) regression results for analyzing the effects of the acquirer's ownership structure on post-acquisition operating performance in private placement-based equity acquisitions. *Top5* represents ownership concentration, defined as the ratio of shares held by the top five shareholders to the total outstanding shares of the acquiring firm. *MngtHold* represents management shareholding, defined as the ratio of shares held by directors, supervisors, and senior executives to the total outstanding shares. The dependent variables are the same as in Table 5. All specifications include the merger type, year, and industry fixed effects. We control for other M&A deal characteristics and acquiring firm characteristics at the fiscal year-end prior to the deal announcement. Numbers in parentheses are t-statistics estimated from standard errors adjusted for heteroskedasticity. Standard errors are clustered by industry. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
	ROA_1yr	ROA_2yr	ROA_3yr	ROE_1yr	ROE_2yr	ROE_3yr
PPE	0.006*	0.007**	0.008**	0.014*	0.019***	0.036**
	(1.756)	(2.351)	(2.211)	(1.718)	(3.066)	(2.605)
MngtHold	0.006	0.009	0.006	0.010	0.022	0.046
	(0.821)	(1.059)	(0.844)	(0.704)	(1.037)	(1.152)
Top5	0.027***	0.027***	0.030***	0.061***	0.079***	0.095***
	(3.246)	(3.260)	(4.027)	(3.240)	(3.911)	(2.932)
SOE	0.006	0.013***	0.016***	0.021**	0.043***	0.071***
	(1.521)	(3.261)	(4.166)	(2.462)	(4.326)	(4.432)
Market-to-Book	0.001	0.000	-0.000	0.003	0.004	0.001
	(0.948)	(0.406)	(-0.134)	(1.211)	(1.188)	(0.346)
Accruals	-0.044***	-0.055***	-0.056***	-0.072***	-0.119***	-0.157***
	(-5.113)	(-4.933)	(-4.701)	(-3.761)	(-3.546)	(-2.814)
Acquirer Cash	0.016	0.033**	0.028*	0.073***	0.129***	0.164***
	(1.457)	(2.649)	(1.942)	(3.063)	(4.247)	(3.442)
NOA	0.002	0.002**	0.004***	0.006**	0.007*	0.012**
	(1.621)	(2.033)	(3.165)	(2.210)	(1.926)	(2.498)
PreAnnReturn	-0.001	-0.003	-0.007***	-0.005	-0.014***	-0.040***
	(-0.222)	(-1.590)	(-2.998)	(-1.135)	(-3.035)	(-4.757)
Leverage	-0.013	-0.010	-0.021*	-0.039**	-0.039	-0.092**
	(-1.327)	(-0.971)	(-1.912)	(-2.110)	(-1.391)	(-2.352)
Relative_Size	0.003	-0.001	-0.008**	0.003	-0.008	-0.040***
	(1.231)	(-0.363)	(-2.273)	(0.572)	(-1.296)	(-3.516)
Related Deal	-0.000	-0.004	-0.001	-0.004	-0.016**	-0.004
	(-0.176)	(-1.479)	(-0.355)	(-0.584)	(-2.241)	(-0.359)
Serial_3yr	-0.004*	-0.006**	-0.007***	-0.009	-0.017**	-0.026***
	(-1.821)	(-2.675)	(-3.538)	(-1.623)	(-2.639)	(-2.740)
Perf_Commit	-0.002	-0.007***	-0.011***	-0.006	-0.018**	-0.027**
	(-0.725)	(-2.909)	(-4.644)	(-0.787)	(-2.509)	(-2.175)
Pre_ROA_1yr	0.379***	0.403***	0.403***			
	(10.574)	(11.073)	(10.023)			
Pre_ROE_1yr				0.328***	0.394***	0.438***
				(7.562)	(6.890)	(5.512)
Merger Type FE	Yes	Yes	Yes	Yes	Yes	Yes
Year and Ind FE	Yes	Yes	Yes	Yes	Yes	Yes
N	3718	3719	3719	3700	3704	3704
Adj. R^2	0.128	0.154	0.178	0.087	0.110	0.095

Table 12

Ownership Concentration and Operating Performance of Related vs. Non-Related Party Acquisitions

This table reports OLS regression results analyzing how ownership concentration affects post-acquisition operating performance in related party transactions relative to non-related party transactions. *Top5* represents ownership concentration, defined as the ratio of shares held by the top five shareholders to the total outstanding shares of the acquiring firm. *Related Deal* is a dummy variable that equals one if the acquisition is a related party transaction, and zero otherwise. The dependent variables are the average ROA and ROE in the first, first two and first three years after the acquisition completion. All specifications include the merger type, year, and industry fixed effects. We control for other M&A deal characteristics and acquiring firm characteristics at the fiscal year-end prior to the deal announcement. Numbers in parentheses are t-statistics estimated from standard errors adjusted for heteroskedasticity. Standard errors are clustered by industry. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
	ROA_1yr	ROA_2yr	ROA_3yr	ROE_1yr	ROE_2yr	ROE_3yr
PPE	0.006	0.007**	0.008**	0.013	0.018***	0.034**
	(1.640)	(2.290)	(2.218)	(1.553)	(2.747)	(2.403)
MgntHold	0.004	0.007	0.005	0.007	0.018	0.044
	(0.618)	(0.905)	(0.705)	(0.454)	(0.862)	(1.110)
Top5	0.031***	0.024**	0.029***	0.076***	0.088***	0.109**
	(3.482)	(2.379)	(2.953)	(3.634)	(3.497)	(2.471)
Related Deal	0.005	-0.008	-0.001	0.016	-0.003	0.024
	(0.800)	(-1.249)	(-0.098)	(0.866)	(-0.138)	(0.616)
Related Deal×Top5	-0.011	0.008	-0.001	-0.036	-0.024	-0.044
	(-0.914)	(0.666)	(-0.073)	(-1.091)	(-0.649)	(-0.694)
SOE	0.006	0.012***	0.016***	0.019**	0.041***	0.069***
	(1.547)	(3.311)	(4.211)	(2.356)	(4.185)	(4.153)
Market-to-Book	0.001	0.001	-0.000	0.003	0.004	0.002
	(1.017)	(0.429)	(-0.097)	(1.286)	(1.214)	(0.377)
Accruals	-0.044***	-0.055***	-0.056***	-0.071***	-0.119***	-0.154***
	(-5.187)	(-4.980)	(-4.745)	(-3.800)	(-3.592)	(-2.795)
Acquirer Cash	0.017	0.033**	0.029*	0.074***	0.128***	0.163***
	(1.537)	(2.676)	(1.984)	(3.121)	(4.241)	(3.452)
NOA	0.002*	0.002**	0.004***	0.006**	0.007*	0.013**
	(1.751)	(2.025)	(3.235)	(2.357)	(2.013)	(2.597)
PreAnnReturn	-0.001	-0.003	-0.007***	-0.006	-0.015***	-0.040***
	(-0.330)	(-1.672)	(-3.124)	(-1.295)	(-3.224)	(-4.873)
Leverage	-0.014	-0.011	-0.021*	-0.042**	-0.040	-0.091**
	(-1.442)	(-1.043)	(-1.904)	(-2.200)	(-1.419)	(-2.313)
Relative_Size	0.003	-0.001	-0.008**	0.003	-0.009	-0.040***
	(1.166)	(-0.422)	(-2.361)	(0.488)	(-1.362)	(-3.641)
Serial_3yr	-0.004	-0.006**	-0.007***	-0.008	-0.016**	-0.025***
	(-1.638)	(-2.488)	(-3.366)	(-1.472)	(-2.532)	(-2.700)
Perf_Commit	-0.002	-0.006***	-0.010***	-0.005	-0.017**	-0.026**
	(-0.593)	(-2.796)	(-4.396)	(-0.680)	(-2.393)	(-2.107)
Pre_ROA_1yr	0.376***	0.401***	0.401***			
	(10.383)	(10.827)	(9.904)			
Pre_ROE_1yr				0.325***	0.393***	0.439***
				(7.478)	(6.893)	(5.583)
Merger Type FE	Yes	Yes	Yes	Yes	Yes	Yes
Year and Ind FE	Yes	Yes	Yes	Yes	Yes	Yes
N	3741	3742	3742	3723	3727	3727
Adj. R^2	0.127	0.153	0.176	0.086	0.110	0.094

Table 13
Post-Acquisition Performance of Firms Targeted by Partial Acquisitions

This table reports the ordinary least squares (OLS) regression results for the market and operating performance of A-share listed firms after becoming targets of partial acquisitions, compared to Hong Kong-listed firms. The dependent variables in columns (1) - (3) are the 12-, 24-, and 36-month BHARs after the partial acquisition announcement. The dependent variables in columns (4) - (5) are the average ROA in the first, first two and first three years after the partial acquisition completion. *A_Share Listed* is a dummy variable that equals one if the firm is listed in Shanghai or Shenzhen stock exchanges in mainland China, and zero if the firm is listed on the Hong Kong Stock Exchange. *Total_Buyratio* is defined as the proportion of a firm's shares targeted by blockholders in a given year, with the total calculated as the sum of the partial acquisition ratios for each deal if the firm is targeted multiple times during that year. *Large* is a dummy variable that equals one if the market capitalization of the targeted firm at the end of the fiscal year prior to the block acquisition is in the top 70th, and zero otherwise. All specifications include the merger type, year, and industry fixed effects. We control for other M&A deal characteristics and acquiring firm characteristics at the fiscal year-end prior to the deal announcement. Numbers in parentheses are t-statistics estimated from standard errors adjusted for heteroskedasticity. Standard errors are clustered by industry. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

	(1) BHAR 1yr	(2) BHAR 2yr	(3) BHAR 3yr	(4) ROA_1yr	(5) ROA_2yr	(6) ROA_3yr
A_Share Listed	0.092***	0.101**	0.109	0.033**	0.031**	0.033**
	(3.113)	(2.050)	(1.477)	(2.625)	(2.657)	(2.664)
Total Buyratio	0.179***	0.177**	0.227**	0.023**	0.016*	0.015*
	(3.677)	(2.233)	(2.668)	(2.419)	(1.900)	(1.798)
Large	-0.025	-0.032	-0.018	0.019***	0.018***	0.018***
	(-1.667)	(-1.120)	(-0.420)	(4.388)	(5.057)	(4.659)
Market-to-Book	-0.004**	-0.005*	-0.003	0.001	0.001***	0.001***
	(-2.038)	(-1.904)	(-0.930)	(1.662)	(3.382)	(2.905)
Accruals	0.004	0.006	-0.036	-0.021***	-0.019***	-0.021***
	(0.155)	(0.147)	(-0.809)	(-3.101)	(-3.655)	(-4.029)
Acquirer Cash	0.002	0.268*	0.329**	0.092***	0.079***	0.068***
	(0.028)	(1.873)	(2.072)	(3.866)	(4.262)	(2.916)
NOA	-0.026***	-0.026**	-0.020	0.004*	0.005***	0.005***
	(-2.983)	(-2.643)	(-1.452)	(1.701)	(2.799)	(2.791)
PreAnnReturn	-0.077***	-0.123***	-0.147***	0.012***	0.013***	0.011***
	(-4.046)	(-6.597)	(-6.688)	(3.147)	(4.399)	(4.039)
Leverage	0.126**	0.231***	0.271***	-0.000	-0.003	0.000
	(2.263)	(3.559)	(3.337)	(-0.019)	(-0.325)	(0.026)
Pre_ROA_1yr				0.211***	0.192***	0.199***
				(5.933)	(6.564)	(6.528)
Ind FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
N	4,295	4,319	4,215	4,006	4,007	4,008
Adj. R^2	0.064	0.062	0.069	0.107	0.141	0.143

Table 14

Targeted Shareholding Proportion and Post-Partial Acquisition Performance

This table reports the ordinary least squares (OLS) regression results for analyzing the effect of the proportion of partial acquisitions on the post-acquisition market and operational performance of A-share listed firms, which are the targets of the acquisitions. Panel A compares the effect of partial acquisition proportions on the post-acquisition performance of A-share listed firms versus Hong Kong-listed firms. Panel B examines the impact of partial acquisition proportions on the post-acquisition performance within A-share listed firms. The dependent variables in columns (1) - (3) are the 12-, 24-, and 36-month BHARs after the partial acquisition announcement. The dependent variables in columns (4) - (5) are the average ROA in the first, first two and first three years after the partial acquisition completion. *A_Share Listed* is a dummy variable that equals one if the firm is listed in Shanghai or Shenzhen stock exchanges in mainland China, and zero if the firm is listed on the Hong Kong Stock Exchange. *Total_Buyratio* is defined as the proportion of a firm's shares targeted by blockholders in a given year, with the total calculated as the sum of the partial acquisition ratios for each deal if the firm is targeted multiple times during that year. *Large* is a dummy variable that equals one if the market capitalization of the targeted firm at the end of the fiscal year prior to the block acquisition is in the top 70th, and zero otherwise. All specifications include the merger type, year, and industry fixed effects. We control for other M&A deal characteristics and acquiring firm characteristics at the fiscal year-end prior to the deal announcement. Numbers in parentheses are t-statistics estimated from standard errors adjusted for heteroskedasticity. Standard errors are clustered by industry. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

Panel A. A-share listed firms v.s. H-share listed firms

	(1)	(2)	(3)	(4)	(5)	(6)
	BHAR 1yr	BHAR 2yr	BHAR 3yr	ROA 1yr	ROA 2yr	ROA 3yr
A_Share Listed×Total Buyratio	0.471***	0.781***	0.989***	0.093***	0.071**	0.078**
	(3.888)	(3.310)	(3.560)	(3.091)	(2.338)	(2.218)
A_Share Listed	-0.048	-0.135*	-0.184*	0.005	0.010	0.009
	(-1.046)	(-1.861)	(-1.694)	(0.417)	(0.958)	(0.954)
Total Buyratio	-0.205	-0.469**	-0.604**	-0.053*	-0.042	-0.049
	(-1.631)	(-2.299)	(-2.503)	(-1.912)	(-1.533)	(-1.560)
Large	-0.025	-0.031	-0.018	0.020***	0.018***	0.018***
	(-1.669)	(-1.093)	(-0.416)	(4.444)	(5.102)	(4.717)
Market-to-Book	-0.004**	-0.005*	-0.004	0.001	0.001***	0.001**
	(-2.203)	(-2.006)	(-1.105)	(1.445)	(3.128)	(2.654)
Accruals	0.007	0.009	-0.032	-0.020***	-0.018***	-0.020***
	(0.239)	(0.236)	(-0.723)	(-2.937)	(-3.505)	(-3.902)
Acquirer Cash	-0.001	0.264*	0.332**	0.092***	0.079***	0.068***
	(-0.006)	(1.826)	(2.072)	(3.853)	(4.247)	(2.924)
NOA	-0.030***	-0.032***	-0.027*	0.003	0.005**	0.005**
	(-3.389)	(-2.987)	(-1.914)	(1.334)	(2.457)	(2.462)
PreAnnReturn	-0.079***	-0.124***	-0.149***	0.012***	0.013***	0.011***
	(-4.183)	(-6.732)	(-6.734)	(3.111)	(4.341)	(3.967)
Leverage	0.126**	0.233***	0.272***	-0.000	-0.003	0.000
	(2.280)	(3.569)	(3.350)	(-0.009)	(-0.320)	(0.031)
Pre_ROA_1yr				0.209***	0.190***	0.198***
				(5.911)	(6.522)	(6.506)
Ind FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
N	4,295	4,319	4,215	4,006	4,007	4,008
Adj. R^2	0.068	0.066	0.073	0.110	0.143	0.146

Panel B. A-share Listed Firms

	(1) BHAR 1yr	(2) BHAR 2yr	(3) BHAR 3yr	(4) ROA_1yr	(5) ROA_2yr	(6) ROA_3yr
Total Buyratio	0.282***	0.359***	0.421***	0.037***	0.027***	0.028***
	(5.974)	(3.359)	(3.630)	(4.641)	(4.103)	(4.663)
Large	-0.009	-0.010	0.005	0.023***	0.023***	0.022***
	(-0.475)	(-0.349)	(0.134)	(4.390)	(5.613)	(6.329)
Market-to-Book	-0.006**	-0.008**	-0.006	0.000	0.001**	0.001*
	(-2.156)	(-2.241)	(-1.632)	(0.870)	(2.270)	(1.849)
Accruals	-0.006	0.003	-0.037	-0.023***	-0.020***	-0.020***
	(-0.249)	(0.063)	(-0.684)	(-4.646)	(-4.484)	(-5.761)
Acquirer Cash	0.011	0.213	0.198	0.102***	0.088***	0.076***
	(0.133)	(1.582)	(1.366)	(4.818)	(4.698)	(4.078)
NOA	-0.047***	-0.063***	-0.061***	-0.001	0.000	-0.000
	(-3.704)	(-4.363)	(-3.521)	(-0.366)	(0.066)	(-0.169)
PreAnnReturn	-0.093***	-0.145***	-0.178***	0.011***	0.013***	0.012***
	(-4.729)	(-6.156)	(-7.071)	(3.219)	(4.762)	(4.089)
Leverage	0.140***	0.237***	0.264***	-0.005	-0.006	-0.000
	(3.029)	(3.850)	(3.303)	(-0.539)	(-0.727)	(-0.013)
Pre_ROA_1yr				0.182***	0.165***	0.165***
				(4.832)	(5.315)	(5.895)
Ind FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
N	4,089	4,128	4,036	3,798	3,798	3,799
Adj. R^2	0.077	0.074	0.077	0.111	0.137	0.142

Table 15
Ownership Concentration and Post-Block Acquisition Performance

This table reports the ordinary least squares (OLS) regression results for analyzing the effect of increased ownership concentration on the market and operating performance of A-share listed firms after becoming targets of partial acquisitions. The dependent variables in columns (1) - (3) are the 12-, 24-, and 36-month BHARs after the partial acquisition announcement. The dependent variables in columns (4) - (5) are the average ROA in the first, first two and first three years after the partial acquisition completion. *Dum_Top5* is an indicator variable that takes he value of one if the firm experience an increase in the shareholding proportion of top five shareholders before and after a partial acquisition over a one-year period. *Total_Buyratio* is defined as the proportion of a firm's shares targeted by blockholders in a given year, with the total calculated as the sum of the partial acquisition ratios for each deal if the firm is targeted multiple times during that year. *Large* is a dummy variable that equals one if the market capitalization of the targeted firm at the end of the fiscal year prior to the block acquisition is in the top 70th, and zero otherwise. All specifications include the merger type, year, and industry fixed effects. We control for other M&A deal characteristics and acquiring firm characteristics at the fiscal year-end prior to the deal announcement. Numbers in parentheses are t-statistics estimated from standard errors adjusted for heteroskedasticity. Standard errors are clustered by industry. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
	BHAR 1yr	BHAR 2yr	BHAR 3yr	ROA 1yr	ROA 2yr	ROA 3yr
Dum_Top5	0.032	0.060	0.123***	0.010**	0.007**	0.008**
	(1.178)	(1.674)	(3.016)	(2.520)	(2.148)	(2.374)
Total Buyratio	0.343***	0.401***	0.483***	0.032***	0.026***	0.025***
	(5.384)	(3.374)	(3.553)	(4.692)	(4.165)	(4.338)
Large	-0.012	-0.002	0.009	0.026***	0.024***	0.023***
	(-0.463)	(-0.059)	(0.186)	(4.384)	(5.170)	(5.481)
Market-to-Book	-0.006*	-0.010**	-0.009*	0.001	0.001*	0.001
	(-1.865)	(-2.331)	(-1.921)	(0.508)	(1.915)	(1.582)
Accruals	-0.015	-0.012	-0.053	-0.023***	-0.020***	-0.019***
	(-0.495)	(-0.255)	(-0.818)	(-3.844)	(-3.596)	(-4.105)
Acquirer Cash	0.000	0.261	0.171	0.109***	0.099***	0.093***
	(0.001)	(1.650)	(1.042)	(4.679)	(4.938)	(4.828)
NOA	-0.053***	-0.076***	-0.073***	-0.001	0.000	0.000
	(-3.495)	(-4.375)	(-3.528)	(-0.470)	(0.179)	(0.071)
PreAnnReturn	-0.088***	-0.142***	-0.174***	0.009***	0.012***	0.011***
	(-3.886)	(-5.482)	(-5.942)	(2.718)	(4.512)	(4.095)
Leverage	0.186***	0.289***	0.301***	-0.011	-0.011	-0.003
	(3.522)	(3.944)	(3.261)	(-0.966)	(-1.167)	(-0.277)
Pre_ROA_1yr				0.180***	0.168***	0.164***
				(4.376)	(5.415)	(5.662)
Ind FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
N	3,201	3,241	3,283	3,393	3,393	3,394
Adj. R^2	0.082	0.077	0.082	0.123	0.153	0.158

Appendix

Table A1. Summary Statistics

Panel A reports the post-acquisition performance, firm characteristics, and deal characteristics of acquirers listed on HKSE between 2000 and 2022. Panel B reports the performance and firm characteristics target firms listed on the HKSE in partial acquisitions between 2000 and 2022. Post-acquisition market performance is measured by announcement-period abnormal returns and long-term buy and hold returns after the completion of acquisition. Operating performance is measured by the average ROA and ROE over the 1-3 years following the completion of the acquisition. Accounting variables related to firm characteristics are measured at the fiscal year-end before the deal announcement date. See the appendix for the definitions of all the variables.

Panel A. Acquisitions in HKSE

Variable	Obs	Mean	SD	P25	Median	P75
AnnReturn_3d	439	0.006	0.053	-0.027	0.003	0.032
AnnReturn_1d	439	0.003	0.032	-0.015	0.001	0.016
BHAR_1yr	381	-0.027	0.514	-0.379	-0.111	0.214
BHAR_2yr	364	-0.055	0.705	-0.565	-0.220	0.288
BHAR_3yr	343	-0.072	0.852	-0.689	-0.279	0.336
ROA_1yr	380	0.001	0.147	-0.036	0.042	0.085
ROA_2yr	381	-0.014	0.154	-0.060	0.034	0.079
ROA_3yr	381	-0.015	0.144	-0.063	0.031	0.080
ROE_1yr	385	-0.050	0.332	-0.076	0.048	0.120
ROE_2yr	386	-0.103	0.424	-0.133	0.036	0.115
ROE_3yr	386	-0.123	0.535	-0.129	0.033	0.115
HK Listed Chinese	387	0.372	0.484	0.000	0.000	1.000
Market-to-Book	387	3.467	4.612	0.903	1.758	3.876
Accruals	387	-0.076	0.542	-0.153	-0.028	0.070
Acquirer Cash	387	0.188	0.151	0.069	0.151	0.270
NOA	387	20.800	2.038	19.250	20.715	22.344
PreAnnReturn	387	0.130	0.626	-0.301	0.014	0.374
Leverage	387	0.406	0.213	0.235	0.398	0.559
Relative_Size	387	0.418	0.932	0.028	0.078	0.286
Related Deal	387	0.147	0.355	0.000	0.000	0.000
Merger Type	387	2.127	1.220	1.000	1.000	3.000
Serial_3yr	387	0.209	0.407	0.000	0.000	0.000

Panel B. Partial Acquisitions in HKSE

Variable	Obs	Mean	SD	P25	Median	P75
AnnReturn_3d	305	0.059	0.152	-0.016	0.016	0.092
AnnReturn_1d	305	0.019	0.084	-0.009	0.000	0.020
BHAR_1yr	305	0.134	0.735	-0.255	-0.049	0.286
BHAR_2yr	305	0.143	1.014	-0.409	-0.153	0.305
BHAR_3yr	305	0.162	1.142	-0.481	-0.174	0.395
ROA_1yr	295	-0.012	0.168	-0.043	0.035	0.072
ROA_2yr	296	-0.011	0.145	-0.041	0.034	0.070
ROA_3yr	296	-0.012	0.145	-0.039	0.035	0.068
ROE_1yr	299	-0.098	0.574	-0.073	0.054	0.109
ROE_2yr	300	-0.086	0.539	-0.052	0.051	0.101
ROE_3yr	300	-0.099	0.602	-0.066	0.051	0.108
Market-to-Book	303	2.555	3.610	0.782	1.374	2.954
Accruals	303	-0.109	0.681	-0.143	-0.044	0.023
Acquirer Cash	303	0.167	0.147	0.061	0.130	0.214
NOA	303	21.225	2.430	19.127	21.174	23.052
PreAnnReturn	303	0.186	0.606	-0.188	0.056	0.333
Leverage	303	0.468	0.224	0.311	0.467	0.614
Total_Buyratio	303	0.326	0.278	0.088	0.237	0.554

Table A2. Comparison of Completed and Incompleted Acquisitions

This table reports the mean difference test of buy-and-hold abnormal returns (BHAR) and operational performance between acquirers of completed acquisitions and those of withdrawn acquisitions after the acquisition announcement. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

	Completed Acquisitions		Incompleted Acquisitions			
Variable	Obs.	Mean	Obs.	Mean	Mean-diff	*t*-statistic
BHAR 1yr	4191	0.116	827	-0.027	0.143***	7.166
BHAR 2yr	4192	0.154	829	-0.093	0.247***	8.478
BHAR 3yr	4192	0.122	829	-0.118	0.240***	6.848
ROA_1yr	3785	0.045	786	0.015	0.030***	9.240
ROA_2yr	3786	0.038	786	0.010	0.028***	8.610
ROA_3yr	3786	0.032	786	0.009	0.023***	7.141
ROE_1yr	3775	0.040	779	-0.022	0.062***	8.031
ROE_2yr	3780	0.013	784	-0.091	0.104***	8.526
ROE_3yr	3780	-0.017	785	-0.123	0.106***	6.559

Table A3. Post-Acquisition Performance: Other CSRC-Approved vs. Private Placement Acquisitions

This table reports OLS regression results comparing the post-acquisition performance of private placement acquisitions (PPE) with other types of CSRC-approved acquisitions. The dependent variables include the buy-and-hold abnormal returns (BHAR) and return on assets (ROA) over one, two, and three years after the acquisition. The variable *Big_Deal_Non-PPE* is a dummy variable that equals one if the acquisition is subject to CSRC approval but not financed through a private placement (PPE), specifically defined as acquisitions in which the target's size (measured by assets, operating revenue, or net assets) is equal to or greater than 50% of the corresponding size measures of the acquiring firm. All specifications include the merger type, year, and industry fixed effects. We control for other M&A deal characteristics and acquiring firm characteristics at the fiscal year-end prior to the deal announcement. Numbers in parentheses are t-statistics estimated from standard errors adjusted for heteroskedasticity. Standard errors are clustered by industry. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
	BHAR 1yr	BHAR 2yr	BHAR 3yr	ROA 1yr	ROA 2yr	ROA 3yr
PPE	0.066***	0.100**	0.077*	0.007*	0.007**	0.008**
	(2.740)	(2.426)	(1.891)	(1.940)	(2.328)	(2.164)
Big_Deal_Non-PPE	0.006	0.191	0.199	0.022*	0.008	-0.003
	(0.063)	(1.169)	(1.528)	(1.900)	(0.602)	(-0.185)
SOE	-0.043**	-0.090***	-0.097***	0.006*	0.012***	0.016***
	(-2.326)	(-2.976)	(-3.129)	(1.788)	(3.444)	(4.397)
Market-to-Book	-0.022***	-0.035***	-0.043***	0.000	0.000	-0.001
	(-4.351)	(-5.155)	(-5.918)	(0.407)	(0.064)	(-0.575)
Accruals	-0.036	0.010	0.055	-0.047***	-0.055***	-0.057***
	(-1.334)	(0.178)	(0.769)	(-4.935)	(-4.631)	(-4.555)
Acquirer Cash	-0.032	-0.123	-0.058	0.018	0.036**	0.032**
	(-0.383)	(-0.926)	(-0.427)	(1.480)	(2.680)	(2.107)
NOA	-0.044***	-0.074***	-0.078***	0.001	0.001	0.002**
	(-3.603)	(-3.639)	(-4.506)	(0.778)	(0.899)	(2.073)
PreAnnReturn	-0.068***	-0.152***	-0.191***	-0.000	-0.003	-0.006***
	(-4.058)	(-9.035)	(-10.406)	(-0.132)	(-1.569)	(-2.922)
Leverage	0.185***	0.163*	0.093	-0.013	-0.007	-0.018
	(3.543)	(1.944)	(1.035)	(-1.301)	(-0.692)	(-1.627)
Relative_Size	0.118***	0.105***	0.092***	0.002	-0.001	-0.008**
	(6.003)	(3.684)	(3.129)	(0.990)	(-0.463)	(-2.464)
Related Deal	0.010	0.010	0.006	0.000	-0.004	-0.001
	(0.531)	(0.396)	(0.214)	(0.058)	(-1.452)	(-0.338)
Serial_3yr	-0.018	-0.044**	-0.066**	-0.004*	-0.006**	-0.007***
	(-1.085)	(-2.051)	(-2.688)	(-1.705)	(-2.546)	(-3.298)
Perf_Commit	-0.004	-0.036	-0.037	-0.003	-0.006***	-0.010***
	(-0.210)	(-1.120)	(-1.147)	(-0.798)	(-2.882)	(-4.351)
Pre_ROA_1yr				0.404***	0.419***	0.414***
				(11.113)	(11.210)	(10.415)
Merger Type FE	Yes	Yes	Yes	Yes	Yes	Yes
Year and Ind FE	Yes	Yes	Yes	Yes	Yes	Yes
N	4007	4099	4055	3870	3871	3871
Adj. R^2	0.149	0.176	0.165	0.130	0.153	0.175

Table A2. Variable Definitions and Data Sources

Variable	Description	Sources
M&A Performance		
PPE	An indicator variable that equals one if the M&A deal is a stock acquisition via private placement.	CSMAR
SOE	An indicator variable that equals one if the firm is ultimately controlled by the central State-owned Assets Supervision and Administration Commission of the State Council (SASAC), Ministry of Finance, local SASACs, or other government agents.	CSMAR/WIND
Market-to-Book	The acquirer's market-to-book ratio in the year prior to the acquisition announcement.	CSMAR/WIND
Accruals	The ratio of total accruals to sale, where total accruals is defined as net income - operating cash flow.	CSMAR/WIND
Acquirer Cash	The ratio of cash and cash equivalents to total assets.	CSMAR/WIND
NOA	Net operating assets are calculated as operating assets minus operating liabilities, where operating assets are defined as (total assets - cash and cash equivalents - short term financial investments), and operating liabilities are defined as (total liabilities - short term borrowings - long term borrowings - long term payables - bonds payable)	CSMAR/WIND
PreAnnReturns	The acquirer's buy-and-hold return from day -220 to day -21 before the acquisition announcement.	CSMAR/WIND
Leverage	The ratio of total liabilities to total assets.	CSMAR/WIND
Relative_Size	The transaction value divided by the acquirer's total assets at the end of fiscal year prior to the acquisition announcement.	CSMAR
Related_Deal	An indicator variable that equals one if the acquisition transaction involves related party transactions.	CSMAR
Serial_3yr	An indicator variable that equals one if the acquirer has announced at least one acquisition transaction in the three years prior to this acquisition transaction.	CSMAR
Perf_Commit	An indicator variable that equals one if the acquisition transaction includes performance commitment.	CSMAR
Negotiated_Pricing	An indicator variable that equals one if the transaction is a private placement acquisition and the issuance price is determined through negotiated pricing.	CSMAR
Top5	The sum of the ownership percentages of the top five largest shareholders.	CSMAR
MngtHold	The ratio of the number of shares held by directors, supervisors, and senior executives to the total number of shares.	CSMAR
ExChairSucc_1yr	An indicator variable that equals one if the acquirer experiences an external succession of the chairman within one year after the acquisition transaction is completed.	CSMAR

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Table A2. Variable Definitions and Data Sources —— *Continued*

InChairChg_1yr	An indicator variable that equals one if the firm experiences an internal change of the chairman within one year after the acquisition transaction is completed.	CSMAR
Total Buyratio	The sum of the ratios of shares partially acquired to the total shares for the target firm in year t.	WIND
ROA	The ratio of EBIT to total assets.	CSMAR/WIND
ROE	The ratio of net income to total equity.	CSMAR/WIND